芯成科技
-SINO ICT-

SINO ICT HOLDINGS LIMITED
芯成科技控股有限公司

(Incorporated in Bermuda with limited liability)
Stock Code: 00365.HK

ANNUAL REPORT 2022

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. YUAN I-Pei *(Chairman)(appointed as Chairman on 10 August 2022)*
Mr. XIA Yuan *(Chief Executive Officer)*
Mr. DU Yang *(resigned on 10 August 2022)*

NON-EXECUTIVE DIRECTORS

Mr. LI Yongjun
Mr. LI Jinxian

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WANG Yanxin
Mr. CUI Yuzhi
Mr. BAO Yi
Mr. PING Fan

AUDIT COMMITTEE

Mr. CUI Yuzhi *(Chairman)*
Mr. LI Jinxian
Mr. BAO Yi

REMUNERATION COMMITTEE

Mr. BAO Yi *(Chairman)*
Mr. YUAN I-Pei
Mr. PING Fan

NOMINATION COMMITTEE

Mr. YUAN I-Pei *(Chairman)(appointed as Chairman on 10 August 2022)*
Mr. CUI Yuzhi
Mr. PING Fan
Mr. DU Yang *(resigned on 10 August 2022)*

COMPANY SECRETARY

Mr. LIU Wei

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Unit 02-03, 69/F
International Commerce Centre
1 Austin Road West
Tsim Sha Tsui, Kowloon
Hong Kong

PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited
Units 1208-18 Miramar Tower
132-134 Nathan Road
Tsim Sha Tsui, Kowloon
Hong Kong

AUDITOR

Grant Thornton Hong Kong Limited
Certified Public Accountants
11th Floor, Lee Garden Two
28 Yun Ping Road, Causeway Bay
Hong Kong SAR

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Dear shareholders:

On behalf of the board of directors (the "Directors") (the "Board") of Sino ICT Holdings Limited (the "Company" or "Sino ICT"), I hereby present the report on the audited annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2022.

Overview

With the rapid development of digitalization and artificial intelligence technology, the field of science and technology has become an important engine in promoting high-quality economic growth. Various industries in the world encountered great challenges in many aspects in 2022 due to international geopolitical and military conflicts, trade protectionism, rising inflation and interest rates, sharp fluctuations in energy and raw material prices, and the climate change issue, leading to a weak global demand in the consumer market and slow global economic growth. The Chinese economy was inevitably impacted, and sustainable development is facing threats. However, we believe that as COVID-19 is gradually controlled, the economies of many countries are expected to recover, and the world and China's macroeconomics are entering into a more mature and stable stage. In the field of digitalization and intelligence especially, the global market potential is still huge, innovative technologies and business models represented by artificial intelligence continue to emerge, promoting the transformation and upgrading of traditional industries, bringing new growth to the world economy, and creating opportunities for innovative technology companies. In particular, the Chinese economy still has strong resilience and endogenous power. The digital transformation and green economic development vigorously promoted by the Chinese government will also provide unlimited opportunities for local and multinational technology companies, injecting new momentum into the realization of business development and financial goals for enterprises.

Affected by the macroeconomic situation in 2022, the willingness of consumers and enterprises to invest and purchase has weakened, and the market demand for consumer goods such as smartphones, personal computers and wearable smart devices has shrunk sharply. Semiconductor IC design, wafer manufacturing, packaging and testing, Surface Mount Technology ("SMT") and other industrial chain links were facing varying degrees of pressure. However, the Group adhered to a prudent business strategy, paid close attention to domestic and foreign market trends and adjusted strategies promptly, maintained flexible with policies and market changes, and adopted different measures to deal with these challenges including speeding up project development progress, strengthening cost control, expanding market, and promoting digital transformation and achiving to above-market expected results. The SMT and semiconductor equipment manufacturing business continued to develop stably with the launch of high value-added semiconductor packaging equipment "IC bonding machine" and "full-process nitrogen-filled reflow soldering equipment". The Group increased its technological innovation investment, developed high-quality products that meet customer needs, and strived to create higher shareholders value and more profits. Meanwhile, the Group seized the market and industrial opportunities to actively promoted technology and business innovation, vigorously expanded the business into the fields of grid energy storage station and bird detection radar with good initial results. Although the Group is facing financial pressure to a degree, the business investments will generate good long-term returns, achieving stable long-term growth and value creation for shareholders, enhancing the Group's commercial and social values, and achieve sustainable and high-quality business growth.

Business Review

For the year ended December 31, 2022, the Group's total revenue were approximately HK$231,616,000, gross profit on securities investment was approximately HK$94,990,000, and the gross profit margin was 41.01%. The Group's performance fell year-on-year, attributing to the mismatch of income and expenditure caused by the development of new businesses and external factors such as the continued turmoil in the global economy and inflation. However, entering 2023, the Group will continue to make efforts in the fields of digitization and intelligence, take advantage of national policy and market demand to actively promote various businesses in parallel, strive to boost revenue and achieve business growth and sustainable operation simultaneously.

SMT and Semiconductor Equipment Manufacturing Business

In 2022, the Group continued to provide customers with full-line SMT and semiconductor equipment manufacturing solutions. Despite obstacles of the industry's sluggish development and tightened chipmaking exports to China brought up by the revision of U.S. "Export Administration Regulations", the Group actively integrated into the trend of domestic substitution, introducing the new packaging equipment "IC bonding machine" and welding equipment for reflow soldering to several exhibitions in China to explore market opportunities in the second half of the year. The total revenue of the segment was HK$231,140,000, and the gross profit of the segment was HK$94,514,000 in 2022. Considering the overall downturn in the domestic manufacturing industry and the adjustment of the Group's business during the period, the Group believes that the overall performance of this sector was within the expected range.

In terms of product research and development ("R&D"), the domestic semiconductor industry chain has an obvious trend of domestic substitution especially in the field of packaging. In the past, the domestic die-bonding field was mainly concentrated in the low-end rather than the high-end market. In 2022, the Group increased its independent R&D effort in high-precision placement and launched the high-precision die-bonding equipment "IC bonding machine" with independent intellectual property rights and brought it to market, marking an equipment upgrade from special-purpose to general-purpose, and the achievement of micron-level precision and high-speed performance. The equipment can be used in the placement process of automotive electronics, medical electronics and optoelectronics. Meanwhile, in response to high soldering requirements of the semiconductor industry especially for Mini LEDs, the Group developed a full-process nitrogen-filled reflow soldering machine which can control the temperature in sections and monitor the furnace oxygen data in real time, meeting the production environment of 10,000-level cleanliness. It is suitable for high-precision industries in the stage of technological upgrading, such as semiconductor packaging, automotive electronics, new energy, and military aerospace whose developing prospects are broad.

In terms of marketing, the Group stepped up its efforts in the second half of 2022 and participated in several exhibitions in China, continued to expand sales channels, developed new markets, and further deepened industrial influence. For internal management, the Group has been actively optimizing the organization structure and workflow for efficiency improvement and cost reduction. In 2022, a total of three new patents were added to this sector, upholding the Group's culture of independent R&D. In the future, the Group will continue to make market-oriented, customer-centric innovations, strengthen customers and partner communication and collaboration, improve service quality and promote semiconductor industry chain and value chain coordination, closely coordinate the supply chain and demand docking to help the early realization for domestic high-end semiconductor equipment.

Grid Energy Storage Station Business

The new energy industry is one of the emerging economic fields in the world. In recent years, China has been unswervingly promoting the energy revolution, accelerating the transformation of energy consumption structure to clean and low-carbon. Clean energy is inherently intermittent and unstable. As the proportion of clean energy in the power system gradually increases, the power grid is facing more complex challenges in stability and reliability. As a flexible adjustment method, energy storage technology stores excess clean energy and releases it when needed, balances load fluctuations in the power grid, it can improve the peak-shaving capacity of the power grid and the capacity of new energy consumption, reduce the dependence on traditional coal-burning and other high-carbon emission methods, optimizes energy structure and promotes energy transformation. With the expansion of clean energy installed capacity and grid construction, the industry will open the main track of green power storage. Since 2021, several supporting policies and pricing mechanisms for solar thermal energy storage and power peak and frequency regulation have been continuously improved. The Group actively deployed in the energy storage industry and established Sino New Energy Utilization (Hengqin) Technology Co., Ltd.* (中鑫電聯(珠海橫琴) 能源科技有限公司) within the year, and built a 100MW electrochemical energy storage project (the "Project") with a total usable area of 64,000 square meters in Xinrong District, Datong City, Shanxi Province. The Project is designed, invested, constructed and operated by the Company with a planned final scale of 500Mkw/1000MWh and an area of 96.07 mu (around 15.83 acres). Starting in 2022, its first phase project was completed in March 2023 with a scale of 100Mkw/200MWh and an area of more than 50 mu (around 8.24 acres). It is the first grid-side new energy storage project in China with a complete electricity spot market transaction and auxiliary services.

During the year, many provincial planned for new energy storage were released following the national government's 14th Five-Year Plan, and Shanxi proposed to have a capacity of 6Mkw by 2025. Shanxi's power grid has been relying heavily on thermal power, while Datong City's power structure is dominated by coal, wind, and photovoltaics, lacking black start resources and the ability to resist natural disasters. As new energy is connected to the grid on a large scale, the demand for peak-shaving capacity of the local power system is bound to increase significantly, bringing greater peak-shaving pressure in the medium to long term. The Project fully participates in Shanxi's power market as an independent entity, and realizes the storage of photovoltaic and wind power waste in the region. It can provide large-scale reserved power to be quickly deployed in a power grid emergency or system failure, effectively improving the power supply stability, flexibility and reliability. The project will reserve energy for future grid connection, line expansion and maintenance, which will help the power grid's load shifting.

* *For identification purposes only.*

The Group actively implemented the national dual carbon goal, practically promoted the construction of new power plant with chinese characteristics during the COVID-19 pandemic, and completed construction, procurement, delivery and equipment debugging in only five months. As the "14th Five-Year New Energy Storage Development Implementation Plan" put forward long-term goals for new energy storage towards scalable, industrialization and marketization, the Group believes that the Project will give full play to the advantages relying on the national and local policy dividends, sufficient demand, and a sharp reduction in regional thermal power supply, and promote the coordination of power source, network, load and storage. The Project can significantly improve the Company's operating quality which aligns with our long-term goal and the overall shareholders' interests. Next, the Group will focus on improving the efficiency and reliability of the energy storage stations and quickly deploy nationwide, contributing to China's energy revolution and the construction of new power systems further.

Radar Business

At the beginning of 2022, the Group established SD Technologies (Haining) Co., Ltd.* (芯泰智能科技 (海寧) 有限公司) ("SD Technologies"). In July of the same year, SD Technologies (Guangdong) Co., Ltd.* (芯泰智能科技(廣東)有限公司) was newly established and was located at Zhuhai National HiTech Industrial Development Zone in Guangdong Province. Based in the Greater China region, SD Technologies produces bird detection radar equipment, technologies, software and systems to the world and provides customized integrated solutions for bird detection and repelling to customers. During the year, it has completed the independent R&D of the domestic low-altitude target monitoring radar system, the R&D and delivery of domestic radar cabin, and is expected to enter the cooperative airport for field testing in 2023.

In the context of the rise of global trade protectionism and the intensification of trade disputes, the domestic substitution of commercial radar products and technologies is imperative due to the dual considerations of national technical information security and corporate cost reduction and efficiency enhancement. The Nemesis-Shield Radar S8 series for bird detection developed by the Group is the only commercial radar equipment in China that can detect "low, slow and small" targets, inheriting dual pulses, 3D signals antennas and unique radar signals, it can detect bird with a diameter of 3cm within a practical distance. The system receives information in real-time through the horizontal and vertical antennas and achieves simultaneous detection, tracking and calculation, alarming in conjunction with bird-repelling equipment. Not only can it be widely used in the aviation field, but it can also be deployed in significant substations in combination with the market demand related to the energy storage business of the Group, effectively avoiding huge losses in the power grid caused by birds nesting, foreign object invasion, lightning strikes, landslides, and gas leakage, and ensuring power supply of enterprises is stable and the electricity consumption of residents is safe. In addition, in recent years, the potential safety hazards of UAV applications have become increasingly prominent, and the R&D of UAV monitoring system technology

* *For identification purposes only.*

have become another focus of the Group's radar business. The UAV monitoring system for airports and main facilities independently developed by the Group is compatible with bird detection radars and can provide customers with solutions for UAV detection, positioning, alarm and an interception, as well as UAV air travel planning. The system can integrate customers' existing surveillance and interception equipment and is applicable to multiple scenarios such as airport security, key infrastructure security, and border and coastal defence.

Adhering to a corporate culture of "technology-driven safety", SD Technologies will continue to deepen the R&D of bird detection software and hardware, transform bird detection radar for UAV use, and actively explore market potential in aviation, electric power, logistics and other fields.

Securities Investment Business

In terms of securities investment business, the Group has always adhered to the investment strategy of low-frequency trading. As of December 31, 2022, the Company only held financial assets at fair value through profit or loss totaling approximately HK$85,000, accounting for less than 1% of the total assets, effectively avoided potential income risk of market fluctuation and protected investors' interests.

Industry Trends

SMT and semiconductor-related industries

The Group's core business is SMT and semiconductor equipment manufacturing. "SMT" stands for surface mount technology which is more precise and flexible than traditional technology and can directly attach and solder surface mount components to the surface of the printed board pad and is suitable for high-density, high-integration micro-device welding assembly process. Although in 2022, the prosperity of the manufacturing industry in China was not high. We believe that with the easing of the epidemic and driven by demand, the industry will develop well in the future, specifically in the following fields of application.

Mini LED

We believe that Mini LED displays will become the industrial mainstream. Mini LED is a sub-mm light-emitting diode with a chip size between 50-200 μm, developed specially to improve the precision of LED partition light control granularity. It is fast-responding and energy-saving, its light-emitting crystal is small with higher resolution, and is safer than traditional LEDs. The high-end Mini LED display market expanded rapidly, and the products are used in fields of monitoring, high-definition broadcasting, advertising display, medical diagnosis, smartphones, and automotive panels. Its commercialization process in the backlight field is also accelerating. Arizton expected the global Mini/Micro LED market exceed US$1 billion in 2022, and the penetration rate of Mini LED TVs will reach 10% in 2025, the global market of Mini LED backlight TVs will increase to 25.5 million units. The encapsulation of Mini LED requires high quality material and curing craft for light transmission and wick protection, and the quality of glue curing directly affect its brightness and parameters. Thus, the Group will continue to optimize its R&D efforts, expand customer base, provide professional services to promote the commercialization of Mini LED technology.

Automotive

We expect the development of the new energy vehicle industry to remain resilient in China and the Group's shipments of connected car modules will be the first to increase in volume. In 2022, the poor industrial performance was mainly due to rising prices of raw materials and tight supply chains. However, the easing of the epidemic has driven the industry to heat up, the market has completed the transformation from policy-driven to product-driven, the impact of the decline in new energy purchase subsidy policies on product sales is gradually weakening, contributing to market demand. According to iYiou, the penetration rates of new energy vehicles with RMB 300,000-400,000 and RMB 250,000-300,000 with smart cockpits in China are 55.7% and 47.4%, respectively. Intelligent networked vehicles continued to penetrate, and the Internet of Vehicles technology is developing rapidly. The automotive panel is key to automotive electronic control systems and its welding quality is directly related to the safety of the vehicle. Automotive boards need to carry high temperatures and high currents, and high requirement to the solder joints of small through-hole components. Facing the large heat capacity and great difficulty in tin penetration of multi-layer circuit boards, the Group's selective wave soldering machine adopts non-contact soldering, which can improve the vertical tin penetration in through holes and save 90% of flux, automatically calibrate temperature and set solder joints parameter individually, and is more and more widely used in the automotive electronics industry.

To sum up, we expect the semiconductor market and industrial chain to develop rapidly in 2023, with industry sales revenue and R&D investment growing, and the market prospect broadening.

Energy storage and related industries

The new energy storage power station provides flexible adjustment capabilities and services such as frequency regulation and peak regulation for the power system, solves the problem of large fluctuations in clean energy, significantly improves the grid's ability to accommodate renewable energy such as wind power and photovoltaics, and improves the utilization of new energy efficiency, reduces energy waste, the use of fossil fuels and carbon emissions, it is an indispensable and important part of the global energy transition to non-carbon, and an important support for achieving the goals of carbon peaking and carbon neutrality. According to market forecasts, the annual global demand for energy storage in 2025 will be 40 billion Wh, and by 2060, the target year of carbon neutrality, the global annual demand for energy storage will jump to 10 million MWh. The compound annual growth rate of energy storage is about 7.0%. The Group's grid energy storage station business is oriented to a trillion-level market with rapid demand growth, and will fully enjoy the dividends of market and policy support.

Grid energy storage is to connect energy production and energy use through in-depth coordination of power supply side, grid side and user side systems, buffer the supply demand difference, and effectively deal with the randomness and volatility of new energy generation by reducing power abandonment, grid frequency regulation, and smooth output. Energy storage peak regulation and frequency regulation can effectively avoid adjustment delay, deviation and reverse, maintain power supply voltage stability, support the traditional power system, and play a key role in optimizing resource allocation in the power system with an increasing proportion of new energy. Energy storage projects can participate in spot market transactions and obtain revenue through charge-discharge price difference at different times, and reduce user-side costs. Enterprises can also share stored energy resources to maximize efficiency and achieve a win-win situation through revenue distribution.

In recent years, the proportion of new energy storage installed capacity has continued to increase worldwide. According to the "Guiding Opinions of the National Development and Reform Commission and the National Energy Administration on Accelerating the Development of New Energy Storage(Consultation Paper)", the installed capacity of new energy storage in China will reach over 30Mkw by 2025, mainstream energy storage technology shall reach world's advanced level, electrochemical and compressed air energy storage technologies shall enter the stage of a commercial demonstration. This year, the National Energy Administration also issued the "Notice on Actively Promoting New Energy Power Generation Projects Should be Consolidated as Much as Possible and Can be Consolidated as Early as Possible" *(《關於積極推動新能源發電項目應併盡併、能併早併有關工作的通知》), emphasizing an imminent need for energy storage, power transmission and transformation projects with opportunities and challenges coexist.

* *For identification purposes only.*

Grid energy storage projects can improve the flexibility, economy efficiency and security of traditional power systems, promote open sharing and flexible transactions of energy production and consumption, and achieve multi-energy coordination. The development prospects are unanimously optimistic. The Group has fully exploited the resource advantages of the power industry and has successively reserved several energy storage power station projects in more than ten provinces including Shanxi, Ningxia, Henan, Hunan, Jiangxi, Jiangsu, and Guangdong, and plans to build an integrated business ecosystem of grid energy storage with different partners, adopting the strategy of independent construction and cooperative development dual model, rapid layout and steady progress. In the future, the Group will focus on jointly promoting the development, construction and operation of energy storage power station projects with partners.

Bird detection radar and related industries

The global commercial radar market size reached US$12.2 billion by 2020 and is showing an increasing trend. According to Grandview Research, the market of the commercial radar in the Asia Pacific region will climb at a compound annual growth rate of 5.6% from 2021 to 2027, with expected market size of approximately US$5.2 billion by 2026. Among commercial radars, bird detection radars have distinct developing potential. The rapid development of civil airports in China is expected to bring about a market demand of over RMB6.09 billion for bird surveillance radar and control systems.

With the rapid economic and social development and the completion of new airport clusters, the space competition between birds and aircraft has intensified. In 2017, the Chinese Air Force, the State Forestry Administration, and the Civil Aviation Administration of China jointly issued "Opinions on Strengthening the Deep Integration of Military and Civilian Work on Bird Strike Prevention at Airports" to form joint management of bird strike prevention; in 2022, the National Civil Aviation Administration issued "Administrative Measures for the Prevention and Control of Bird Strikes and Animal Intrusions at Transport Airports" to further standardize the bird strikes and animal intrusion prevention at transport airports.

Bird collisions with aircraft threaten aviation safety and may trigger secondary disasters. Over 20000 bird collisions occur annually worldwide, resulting in direct economic losses of up to tens of billions of U.S. dollars and causing casualties. The aircraft takeoff and landing processes are the most likely to encounter bird strikes, with over 90% of accidents occured in airports and nearby airspace. The demand for bird detection radar is undoubtedly necessary and urgent, with market potential in airport clusters, wind farms, and areas that may cause bird gatherings or overlap bird migration paths.

Bird observation at airports is traditionally done by humans, which is difficult and has low accuracy. Radar can overcome the limitations of physical conditions such as visibility, automatically observe around the clock, and continuously obtain bird activity data within the monitoring range. The bird detection radar monitors birds or flocks of birds in a large area through its vertical and horizontal radar antennas and sends the signal back to the tower and related bird-repellent personnel in real-time, warning the pilot to change the course or return in advance. At present, the most commonly used bird detection radars are maritime radars which are small and power efficient. After more than 30 years of development, overseas technology and the market of bird detection radar are relatively mature whereas the domestic industry is still green. Based on overseas technology combined with practical experience, the Company independently developed the Nest Shield radars which are integrated with our self-developed Gillnet software system, realizing accurate detection, positioning and tracking of birds and UAV targets with the support of hardware. Also, Nestor series radars have good compatibility, present no equipment interference or environmental harm, and can provide stable performance and guarantee safe operation.

In addition, UAVs have become popular in recent years. In 2021, the number of valid pilot licenses for civil UAVs in China reached 120,800. Similar to birds, UAVs are also typical "low, slow and small" targets. Therefore, the effective monitoring and identification of birds and UAVs will become an urgent problem to be solved to ensure the safety of air routes and urban security. Thus, the market prospect of high-end commercial bird detection radar in which the Group participates is broad.

Development and Outlook

Looking forward to 2023, domestic epidemic restrictions will be lifted one by one, capital mobility and economic activities will pick up, China's economic development will show a steady growth trend under the policies guidance, and the government will make great efforts in the digital economy, green economy and manufacturing transformation, providing sufficient impetus for the sustained and high-quality development of the Chinese economy. At the same time, the government continues to actively promote opening up and market-oriented reforms and continues to improve the business environment, providing favourable policy for technology companies to achieve business expansion and market expansion. The International Monetary Fund ("IMF")'s latest forecast for China's economic growth has been revised up to 5.2%, and China's economy is expected to rebound, thereby boosting the global economy. Nevertheless, the international situation is still unstable, and the risks of international trade and geopolitics will still be important threats to the global economy. China also faces uncertainties including the contraction of the real estate market, the evolution of the new virus, and supply chain and raw material prices change. The IMF predicted that world economic growth will slow down to slightly below 3%, which also reflects that global economic development in the coming year will still be cautious at first.

Although 2023 will still be full of uncertainties and challenges for the global economy, technology is an important force driving economic growth. Driven by the wave of global artificial intelligence, the technology industry will continue to be an engine of economic growth. With the emergence of new artificial intelligence technologies and new business models, technological innovation will continue to promote the transformation and upgrading of traditional industries, bringing new growth and development opportunities to the entire economy, and innovative technology companies will have more opportunities to gaining new competitive advantages through this industy reform.

To sum up, the Group will maintain a prudent operating attitude in 2003, be highly sensitive and responsive to the market, have an in-depth understanding of the industry trends and changes, and strengthen its transformating and upgrading capabilities in light of the global and domestic macroeconomic environment, innovate in technology and create value for shareholders. We expect the core business of SMT and semiconductor equipment manufacturing to return to the right track. The grid energy storage station will soon be connected to the grid for domestic energy and new revolution power system construction. Commercial radar business achieves the early realization of commercial operation and provides a safety guarantee for people's air travel, and injects new impetus and innovative energy into the stable growth of China and the world economy.

Taking this opportunity and on behalf of the Board, I would like to express my heartfelt thanks to the senior management and employees of the Company, as well as the business partners and shareholders who have trusted and supported the Group.

Chairman
Yuan I-Pei

Hong Kong
29 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

During the year, the Group was principally engaged in SMT and semiconductor equipment manufacturing related business, continued to develop energy storage and radar business, and operated its securities investment business stably.

2022 is a turbulent year. The conflict between Russia and Ukraine devastated the global economy, the price of raw materials and food rose drastically, the soaring prices were beyond expectations. To inhibit inflation, the U.S. Federal Reserve rose the interest rate for four times throughout the year which led to the sharp fluctuation in the foreign exchange market. After entering the second half of 2022, although the COVID-19 pandemic eased somewhat, the slowdown of global economy would plunge many countries into recession. The overall manufacturing industry in China also affected by the pandemic to a great extent. In December 2022, the Chinese manufacturing purchasing managers index ("PMI") was 47.0%, and during the year the manufacturing index were below the tipping point in many months, the level of economic prosperity of production and operation was not high.

Under such economic condition, the Group adopts a stable development policy to stabilise the operation of SMT and semiconductor equipment manufacturing related business. Meanwhile, the Group also expands its business into new areas, actively develops energy storage and radar business to further enhance the commercial value of the enterprise while exploring new sources of profitability for the Group.

For the year ended 31 December 2022, the Group's revenue and gain on securities investment amounted to approximately HK$231,616,000, representing a year-on-year decrease of HK$91,365,000. The gross profit and gain on securities investment amounted to approximately HK$94,990,000, representing a year-on-year decrease of HK$46,839,000. The gross profit margin was 41.01%, representing a year-on-year decrease of 2.9 percentage points. The decrease in some of the Group's financial figures compared to 2022 was mainly due to the fact that the Group have established joint ventures and subsidiaries during the year in order to expand its new business in line with the strategic planning, and each new company were in the investment period, thus the relevant expenses were relatively high. Secondly, during the year of 2022, foreign exchange rate fluctuated greatly, which led to the increase in foreign exchange losses, gains from investment in listed equity securities decreased, together with the ongoing COVID-19 pandemic, all of these have impacted the core business of the Group in SMT and semiconductor equipment manufacturing related business.

SMT Equipment Manufacturing and Related Business

SMT and semiconductor equipment manufacturing related business is the core business of the Group and the main source of revenue for the Group. Due to the continuous outbreaks of COVID-19 pandemic in various places and the continuous attacks of China-U.S. trade war, the Group's SMT and semiconductor equipment manufacturing related business had performed weak during the year. For the year ended 31 December 2022, the revenue of SMT and semiconductor equipment and related business amounted to approximately HK$231,140,000, representing a year-on-year decrease of HK$77,697,000, the segment's gross profit amounted to HK$94,514,000, representing a year-on-year decrease of HK$33,347,000.

In 2022, the economic sentiment of China's manufacturing sector was not high, the smartphone market was in the downturn, and the global smartphone shipment declined by 18% year-on-year in the 4th quarter. Mini LED has not yet completed its commercialisation process and the downstream demand growth was hampered. Due to the impacts of COVID-19, the supply chain and logistic chain of semiconductor industry were severely hampered. The U.S. crackdown on China's information technology industry also led to the inability of mainland Chinese companies to meet certain of its high-end needs for dies, wafers, equipment and development tools, which will not change in the short term.

However, the long-term growth of semiconductor industry and consumer electronics is promising. The high-end TV panel market will enhance gradually, it is expected that the penetration rate of Mini LED TV will increase from 0.3% in 2020 to 10.0% in 2025, and the sales volume of global Mini LED backlight TV products will increase to 25,500,000 units in 2025. The development momentum of Chinese NEV sector is also strong and resilient. In 2022, Chinese NEV market was the largest driver to the global growth in terms of sales volume, growth rate, market share and penetration rate. Its share of global sales climbed quarter by quarter, increasing from 55.0% in the first quarter to 64.0% in the third quarter, and its global penetration rate of NEVs is expected to further increase in 2023, and outperformed the rest of the world. Charging piles are the infrastructure to safeguard the travel of electric vehicles users. Benefited from the fast growth of NEVs, charging piles continues to maintain rapid growth, there were a total of 1,797,000 units of public charging piles reported by members of the China Electric Vehicle Charging Infrastructure Promotion Alliance (the "EVCIPA"(充電聯盟)) with an average monthly increase of about 54,000 units as of December 2022.

SMT Equipment Manufacturing and Related Business (Continued)

The new version of 5G was also released during the year. The new version improves the commercial features of 5G, introduces new functions, further broadens the application scenarios of 5G network, explores the infusion of 5G and AI technology for the first time and formulates uniformed functional framework. Meanwhile, 5G technology has designed and adopted a hierarchical network big data intelligent analysis architecture for the first time to provide platform-based capabilities for large operators. In addition, in the first half of 2022, the IoT market in Mainland China maintained a growth rate of over 25%. According the statistical forecast from Internet Data Center, the market size growth of China's IoT is in a leading position worldwide, the compound growth rate from 2020 to 2025 is 13.0%, which is higher than those in the regions where the industry applications are more mature such as the U.S. and Western Europe. According to the forecast from GSM Association, the market size of China's IoT market is expected to reach about trillion RMB in 2025.

In line with the market development, the Group has been committed to the independent R&D of SMT and semiconductor equipment. Our products adopt humanised design with features of low-cost operation, energy saving and environmental protection. Therefore, our new equipment has always been widely recognised by the market and praised by the industry. In 2022, the Group launched the wholly new semiconductor packaging equipment IC soldering machine (半導體封裝設備IC貼合機) which significantly outperformed the old models in terms of function, performance, stability, reliability, safety, maintainability and easy operability. Meanwhile, the Group obtained three new patents during the year, including automatic tin buffer device (自動加錫緩衝裝置), wave oxidation reduction II cover plate structure (波峰二降氧化量蓋板結構),the anti-oxidation cover structure of tin stove of wave soldering machine (波峰焊接機的錫爐防氧化罩結構). As of 31 December 2022, the Group has achieved 7 technological invention patents, 38 utility model patents, 12 appearance patents, and 11 soft copyrights.

In terms of marketing, the Group has always adhered to the "Go Global" strategy, actively participated in large exhibitions at home and abroad to introduce the performance and features of its major products to customers by experienced senior technological engineers. In the past three years, as impacted by the pandemic, most of the exhibitions that are large scale and with industry recognition have been postponed or canceled. Until the pandemic gradually eased in 2022, the Group increased its marketing efforts. In the second half of 2022, the Company participated in the CEIA China Electronic Intelligent Manufacturing Summit Forum (CEIA中國電子智能製造高峰論壇) held in Chengdu City, Sichuan Province and Wuhan City, Hubei Province, the 10th Annual Conference of China Semiconductor Equipment (第十屆中國半導體設備年會) held in Wuxi City, Jiangsu Province, the 20th China International Semiconductor Expo held in Hefei City, Anhui Province, respectively. Such movements have further deepened our influence in the industry.

Energy Storage Business

Under the global goal of "Carbon Neutrality", clean energy will gradually replace fossil energy, and wind power, photovoltaic power will be the main forces of clean energy, with a continuously increasing installed capacity. Since 2008, the total installed capacity of China has been increasing at an average annual growth rate of approximately 150 million kWh and will maintain the growth rate in the next four years. Energy storage projects can provide various services such as peak regulation, frequency regulation, backup, black start and demand response support for power grid operation. It can improve the flexibility, efficiency and safety of traditional power systems, and can significantly improve the consumption level of renewable energy such as wind power, photovoltaic power to promote openness and sharing of energy production and consumption, achieving multi-energy synergy.

From 2017 to 2020, each power grid responded to the decision of the National Energy Administration and National Development and Reform Commission on lowering the curtailment rate of wind power and curtailment rate of PV power, fully utilising the flexible resources of power systems to consume new energy. In 2021, several important policies on the energy storage industry were released. Amongst them, the "Guiding Opinions of the National Development and Reform Commission and the National Energy Administration on Accelerating the Development of New Energy Storage" required that by 2025, the installed capacity of new energy storage will be reaching over 30 million KW, and energy storage will meet historical opportunities. Amongst them, the installed capacity of electrochemical energy storage grew rapidly, and its global installed capacity has grown at a high speed since 2014, from 2014 to 2021, the compound annual growth rate was 56.2%. Coupled with the strong demands for the installed capacity of wind power and photovoltaic power in mainland China since early 2022, the demand for renewable energy distribution and storage on the power generation side grows at a multiplier.

Under such circumstances, the Company's wholly-owned subsidiary Sino ICT Technology Macao Co. Ltd. ("Sino ICT Technology Macao"), entered into a joint venture agreement with Shenzhen Qianhai Dongfang New Energy Co., Ltd. (深圳前海東方新能源有限公司) to establish Sino New Energy Utilisation (Hengqin) Technology Co., Ltd. (中鑫電聯(珠海橫琴)能源科技有限公司) ("Sino New Energy"), and seized market opportunities by tapping in the grid-side energy storage market, built and operated large scale independent energy storage power stations with dual regulation functions such as frequency regulation and peak regulation to explore new sources of profitability for the Group. During the year, Sino New Energy mainly invested in the early stage, and took the lead to start the construction of an energy storage power station in Xinrong District, Datong City of Shanxi Province with an installed capacity of 100MW/200MWH (500MW/1000MWH in overall planning) at the end of 2022, quickly making deployment in energy storage industry to achieve long-term development.

Radar Business

On January 2022, through Sino ICT Technology Macao, the Company and MD Technologies China Co., Ltd.* (梅林泰特(北京)科技有限公司) established a joint venture, SD Technologies (Haining) Co., Ltd.* (芯泰智能科技 (海寧) 有限公司) ("SD Technologies"). In July of the same year, SD Technologies (Guangdong) Co., Ltd.* (芯泰智能科技(廣東)有限公司) was newly established and was located at Zhuhai National Hi-Tech Industrial Development Zone in Guangdong Province. Based in the Greater China region, it provides bird detection radar equipment, supporting technologies and scenic application software and systems worldwide, as well as customised integrated solutions for bird detection and dispersal. With the completion of a world-class airport complex in the Greater China region, and the further development of wind power generation as clean energy, together with the increased efforts of oil and gas exploration and development in mainland China, high-end commercial bird detection radars have wide market application and comply with the requirements of national policies.

During the year, SD Technologies mainly invested in the early stage. Currently, it has completed its development of a domestic low-altitude target monitoring radar system, which incorporated the experience of the most advanced radar low altitude target monitoring algorithm at home and abroad, and adopted the domestically-leading radar recognition technology for bird activity, which realises a new generation of enhanced 3D UI human-computer interaction function with excellent performance.

In terms of marketing, it is actively engaging with potential customers across the country such as major airports and customers in the field of the power industry, and natural resources, enhancing its marketing efforts in new clients and new industries to meet customer needs to the greatest extent, using its technology and product solutions to solve customer problems. Furthermore, SD Technologies is also actively exploring the market demand and business potential in areas of smart cities, government defence and international markets. It is believed that the Company can achieve sales breakthroughs in the domestic and even international markets in the near future.

* For identification purpose only

Securities Investment Business

The Group followed a low-frequency trading strategy and focused on investments in high tech companies which are synergistic with the principal business, SMT and semiconductor equipment manufacturing related business. It is believed that the stable performance of such investing targets would maintain the stability of their stock price. During the period, Guodian Technology & Environment Group Corporation Limited (國電科技環保集團股份有限公司) (Stock Code: 1296.HK, "GUODIAN TECH") was officially privatised on 30 May 2022, with a price of HK$1.08 per share. The Group then held 1,000,000 shares of GUODIAN TECH, and the total amount received from privatisation was approximately HK$1,079,000 (net of transaction cost), representing an investment gain of approximately HK$500,000. As of 31 December 2022, the Company only held financial assets measured at fair value through profit or loss ("FVTPL") amounting to a total of HK$85,000, accounting for less than 1% of the total assets, which effectively avoided possible revenue risk arising from fluctuations in the securities market and protected the interests of investors.

The Group has put in place a rigorous reporting mechanism for its securities investment business. The management will continue to closely monitor the performance of various investment activities in order to minimise investment risks and protect the safety of investments.

Name of investee	Total investment gain/(loss) for the year ended 31 December 2022 HK$'000
GOME FIN TECH (stock code: 628.HK)	(24)
GUODIAN TECH (stock code: 1296.HK)	500
	476

Securities Investment Business (Continued)

The Group's investment in the above-mentioned securities were classified as finance assets at FVTPL under current assets on the consolidated balance sheet, which amounted to approximately HK$85,000 as at 31 December 2022.

Name of investee	**Financial assets at FVTPL as at 31 December 2022 HK$'000**	Percentage of total Financial assets at FVTPL %
GOME FIN TECH	**85**	100

FINANCIAL REVIEW

Revenue

In 2022, the Group recorded a total revenue of approximately HK$231,616,000. An analysis of the revenue by business segments is as follows:

	Year ended 31 December 2022 HK$'000	Year ended 31 December 2021 HK$'000
SMT equipment manufacturing and related business	**231,140**	308,837
Securities investment	**476**	14,144
Total	**231,616**	322,981

FINANCIAL REVIEW (Continued)

Other income

During the year, the Group recorded other income of approximately HK$20,664,000, representing a decrease of approximately HK$2,400,000 as compared with that of last year. This was mainly due to an increase in rental income of approximately HK$1,741,000, a decrease in government grants of approximately HK$3,638,000 and a decrease in agency and administrative service income of approximately HK$467,000.

Distribution costs

During the year, the Group recorded distribution costs of approximately HK$45,193,000, representing a decrease of approximately 11.56% as compared with that of the previous reporting period.

Administrative Expenses

During the year, administrative expenses amounted to approximately HK$97,228,000, representing an increase of approximately 27.34% as compared with that in the corresponding period of last year.

Finance costs

During the year, net finance costs were approximately HK$4,531,000, representing a decrease of approximately HK$3,834,000 as compared with that of last year, mainly attributable to a reduction in the amortisation of interest accrued on the convertible bonds.

(Loss)/Profit for the year

As a result of the foregoing, the loss of the year attributable to owners of the Company was approximately HK$24,504,000, representing a decrease as compared with the profit of HK$38,282,000 in 2021.

FINANCIAL REVIEW (Continued)

Earnings before interest, tax, depreciation and amortisation

The following table illustrates the Group's earnings before interest, tax, depreciation and amortisation for the respective years. The Group's earnings before interest, tax, depreciation and amortisation ratio was approximately 0.11%.

	Year ended 31 December 2022 HK$'000	Year ended 31 December 2021 HK$'000
(Loss)/Profit for the year attributable to owners of the Company	(24,504)	38,282
Finance costs, net	4,531	8,365
Income tax (credit)/expenses	(549)	8,134
Depreciation and amortisation	20,780	17,522
Earnings before interest, tax, depreciation and amortisation	258	72,303

Liquidity, financial resources and gearing ratio

The Group has maintained sufficient operating capital. As at 31 December 2022, the total current assets of the Group amounted to approximately HK$563,736,000, and the liquidity ratio of the Group was maintained at about 165%, which was sufficient to support the day-to-day operation of the Group. With reference to borrowings over equity attributable to the owners of the Company as at 31 December 2022, the gearing ratio of the Group was 148.57%.

As of 31 December 2022, the balance of the borrowings of the Group was approximately HK$470,921,000.

FINANCIAL REVIEW (Continued)

Operating capital management

As at 31 December 2022, the Group held cash and cash equivalents of approximately HK$273,446,000. This represents a decrease of approximately HK$35,016,000 as compared with approximately HK$308,462,000 at the beginning of the year. The Group's average inventory turnover days were approximately 95 days, which represented an increase of 12 days as compared with those of last year (2021: 83 days); average trade receivable turnover days were approximately 107 days, representing an increase of 12 days as compared with those of last year (2021: 95 days); and average trade payable turnover days were approximately 67 days, representing a decrease of 15 days as compared with those of last year (2021: 82 days).

Capital expenditure on property, plant and equipment

During the year, the Group's total capital expenditure amounted to approximately HK$376,366,000. Of the capital expenditure, approximately HK$359,869,000 was spent on the purchase of machinery and equipment, approximately HK$400,000 was spent on the purchase of transportation equipment, approximately HK$4,932,000 was spent on the refurbishment and renovation of office, and approximately HK$11,165,000 was spent on construction in progress.

Charges on the Group's assets

As at 31 December 2022, the Group's banking facilities including its import/export loan, letter of credit, documentary credit, trust receipt and bank borrowings were secured by:

(i) a first legal charge on certain of the Group's land and properties, which had an aggregate net carrying value at the balance sheet date of approximately HK$74,087,000.

Equity and liabilities

As at 31 December 2022, the equity attributable to owners of the Company amounted to approximately HK$316,964,000. This represents a decrease of approximately 9.07% as compared with the equity attributable to owners of the Company of approximately HK$348,589,000 as at 31 December 2021. The decrease in amount during the year was mainly attributed to the loss for the year.

PRINCIPAL RISKS AND UNCERTAINTIES

Operational risk

The Group is exposed to operational risk in relation to each business segment. To manage operational risk, the management of each business segment is responsible for monitoring the operation and assessing operational risk of their respective business segments. They are responsible for implementing the Group's risk management policies and procedures, and shall report any irregularities in connection with the operation of the projects to the Directors for guidance.

The Group emphasises on ethical value and prevention of fraud and bribery, and has established a whistleblower program, including communication with other departments, business segments and units to report any irregularities. In this regard, the Directors consider that the Group's operational risk is effectively mitigated.

Financial risk

The Group is exposed to credit risk, liquidity risk, foreign exchange risk, and price risk, etc.

Credit risk

In order to minimise credit risk, the Directors closely monitor the overall level of credit exposure and the management is responsible for the determination of credit approvals and monitoring the implementation of the collection procedure to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses have been made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk has been significantly reduced.

Liquidity risk

The Directors have built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In this regard, the Directors consider that the Group's liquidity risk has been effectively managed.

PRINCIPAL RISKS AND UNCERTAINTIES (Continued)

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency risks as its certain business, assets and liabilities are denominated in Renminbi, Hong Kong dollars and US dollars. During the year, the Group did not utilise any financial instruments for hedging purposes, and the Group will continue to closely monitor its foreign exchange risk associated to the currencies and will take appropriate hedging measures when necessary.

Price risk

Since the business of the Group's securities investment segment is derived from the investment in stocks listed on the Main Board of the Stock Exchange, the price fluctuations of the shares held by the Group will affect the Group's after-tax profits. In order to manage the risk of fluctuations of securities price, the Group will diversify its investment portfolio according to the historical fluctuations of the stocks held and the risk control policies of the Company to avoid or reduce the risks arising from stock price fluctuations.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company or any of its subsidiaries had not purchased, redeemed or sold any of the Company's listed securities during the year.

DIVIDENDS

The Board did not recommend a final dividend for the year ended 31 December 2022 (2021: nil).

HUMAN RESOURCES

As at 31 December 2022, the Group employed approximately 358 full-time employees and workers in Mainland China, and employed approximately 22 employees in Hong Kong. The Group continues to maintain and enhance the capability of its employees by providing sufficient regular training to them. The Group remunerates its employees based on the industry's practice. In Mainland China, the Group provides employee benefits and bonuses to its employees in accordance with the prevailing labour law. In Hong Kong, the Group provides staff benefits including retirement scheme and performance related bonuses.

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

The Company acknowledges the importance of good corporate governance practices and procedures and regards a pre-eminent board of directors, sound internal controls, and accountability to all shareholders as the core elements of its corporate governance principles. The Company endeavours to ensure that its businesses follow relevant rules, regulations, and applicable codes and standards. The Board reviews the corporate governance practices of the Company regularly and has adopted various policies to ensure compliance with the code provisions of the Corporate Governance Code ("CG Code") under Appendix 14 of the Listing Rules.

For the year 2022, the Company has fully complied with all the code provisions of the CG Code as set out in the CG Code.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the required standard regarding securities transactions by Directors of the Company. Having made specific enquiries of all Directors, the Company confirmed that they had complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions for the year 2022.

Board of Directors

The Board, headed by the Chairman, is responsible for the oversight of the management of the business and the achievement of the Company's objectives of enhancing shareholder value, retaining conflicts of interest and forcing sustainable growth of the Company. In specific, the Board is responsible for the formulation and approval of the Group's development and business strategies and policies, approval of annual budgets and business plans, recommendation of dividends, and providing oversight of the management in accordance with the governing rules. Whereas the management team of the Company, headed by the Chief Executive Officer, is responsible for the day-to-day operations of the Group.

The Company has always complied with the requirements for Board composition and director qualification set out in the Listing Rules 3.10(1) and (2), and 3.10A. As at the date of this report, the Board of the Company comprises a total of eight Directors, with two executive Directors, two non-executive Directors and four independent non-executive Directors. More than one-third of the Board members are independent non-executive Directors and not less than one of them has appropriate professional qualifications in accounting or related financial management expertise. The composition of the Board is shown on page 33 under the section "Attendance Record at Meetings" in this report. Biographies of the Directors are set out on pages 41 to 44 under the section "Directors Profile" in this annual report. Relevant information can also be viewed on the website of HKEX and the Company's website (www.sino-ict.com).

Board of Directors (Continued)

For the year ended 31 December 2022, the non-executive Directors of the Company were Mr. Li Yongjun and Mr. Li Jinxian. The abovementioned directors were appointed with effect from 5 November 2022. The Company has entered into a service agreement with Mr. Li Yongjun and Mr. Li Jinxian for a term of three years respectively, which may be terminated by either party giving not less than three months' prior notice in writing to the other party and is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Articles of Association of the Company and the Listing Rules.

Each independent non-executive director has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the independent non-executive Directors are independent in accordance with the Listing Rules.

Directors are provided with complete adequate explanations and information to enable them to make an informed decision or assessment of the Company's performance, position and prospects and to discharge their duties and responsibilities on a timely basis. To properly discharge their duties, the Directors are given access to independent professional advisers, when necessary, at the expense of the Company.

The Board regularly holds meetings to review and approve Group's financial statements and the Group's operating performance, review company policies and strategies, and participate in decision-making on major company issues. Throughout this year, the Company held 8 board meetings (approximately 2 a quarter) and ensured that all Directors have the opportunity to raise matters for discussion and put them on the meeting agenda. The Chairman, the Chief Executive Officer and other Directors do not have any financial, business, family or other material/relevant relationships with each other.

Directors' Induction and Continuous Development

Newly appointed directors would receive a comprehensive induction on appointment to ensure that they have a proper understanding of the Company's operations and business and are fully aware of their responsibilities under statute and common law, the Listing Rules, and other regulatory requirements and the issuer's business and governance policies.

Corporate Governance Functions

The Board is responsible for performing the corporate governance functions following the code provisions set out in Code A.2.

Board of Directors (Continued)

Corporate Governance Functions (Continued)

The Board has reviewed the Company's corporate governance policies and practices, training and continuing professional development of Directors and the senior management personnel, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the Code and disclosure in this report.

Continuing Professional Development

In response to the continuous updating of compliance requirements and new market trends, the Company continues to provide various training materials to its Directors and encourages non-executive Directors and independent non-executive Directors in particular, to actively participate in various professional training activities in their areas at work to refresh their knowledge and skills and enhance the standard of governance of the Board. For the year ended 31 December 2022, the Directors have undergone satisfactory training and provided the training record to the Company, which are set out as below:

	Corporate Governance/update on laws, rules and regulations	
Directors	Reading Materials	Attend Seminars, Briefings and conferences
Executive Directors		
Mr. YUAN I-Pei *(Chairman)*	✓	✓
Mr. XIA Yuan *(Chief Executive Officer)*	✓	✓
Non-executive Directors		
Mr. LI Yongjun	✓	✓
Mr. LI Jinxian	✓	✓
Independent Non-executive Directors		
Mr. WANG Yanxin	✓	✓
Mr. CUI Yuzhi	✓	✓
Mr. BAO Yi	✓	✓
Mr. PING Fan	✓	✓

Board of Directors (Continued)

Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Chairman and Chief Executive Officer

The Company has complied with Code Provision C.2.1 for the year ended 31 December 2022. Mr. Yuan I-Pei, an executive director of the Company, succeeded the role of Chairman of the Group after Mr. Du Yang's resignation in August 2022, and the role of Chief Executive Officer of the Group was served by executive director Mr. Xia Yuan.

Audit Committee

The Audit Committee comprises three members, namely independent non-executive directors, Mr. Cui Yuzhi (the committee chairman) and Mr. Bao Yi, and non-executive director, Mr. Li Jinxian.

The main responsibilities of the Audit Committee include reviewing the financial reporting system, risk management and internal control system of the Group and reporting to the Board; reviewing the financial information of the Group, which includes a review of the completeness of the financial statements, annual reports and accounts, interim reports of the Company, as well as the review of the significant advice related to financial reporting as set out in the statements and reports; making recommendations to the Board on the appointment, re-appointment and removal of the external auditor as well as the remuneration and the employment terms of the external auditors; reviewing the Group's annual audit plan; monitoring the work procedures and the independence of the external auditors; reviewing the Company's compliance with the requirements of laws and the Listing Rules, and engaging independent legal or other advisers as it determines necessary.

For the year ended 31 December 2022, the Audit Committee met twice, and the attendance records of each member are set out in the section "Attendance Record at Meetings" in this report. The Audit Committee has considered and provided the Board with the following proposals:

(a) Review the draft annual and interim financial statements and the draft results announcements during the year;

(b) Review the remuneration of the external auditors and make recommendations to the Board;

Board of Directors (Continued)

Audit Committee (Continued)

(c) Making recommendations to the board on the appointment, reappointment and removal of the external auditor; and

(d) Review the audit plan proposed by the external auditors and make recommendations to the Board.

Remuneration Committee

The Company has established a Remuneration Committee in accordance with the requirements of the Code to review the remuneration policy and structure of the Directors and senior management and determine the remuneration packages of all Directors and senior management. According to the amendments to Chapter 17 "Share Option Plan" of the Listing Rules announced in July 2022, the Company has made corresponding amendments to the terms of reference of the Remuneration Committee, and newly added content is that the terms of reference of the Remuneration Committee should include reviewing and/or approving matters related to share schemes mentioned in Chapter 17 of the Listing Rules. The Remuneration Committee comprises three members, independent non-executive directors, Mr. Bao Yi (committee chairman) and Mr. Ping Fan, and executive director, Mr. Yuan I-Pei.

For the year ended 31 December 2022, the Remuneration Committee members met twice, the attendance records of each member are set out in the section "Attendance Record at Meetings" in this report. The Remuneration Committee has considered and provided Board with the following proposals:

(a) Recommendations to the Board on the Company policy and structure for all directors' and senior management remuneration, and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) Review and approval of the senior management's remuneration proposals with reference to the Board's corporate goals and objectives;

(c) Recommendations on the remuneration of the Directors and senior management to the Board;

(d) Recommendations on the remuneration of the newly appointed director to the Board; and

(e) Review and approve the annual performance bonus schemes and the granting of performance bonuses to both management and other employees of the Company on a discretionary basis.

Board of Directors (Continued)

Remuneration Committee (Continued)

The Remuneration Committee is to determine, with responsibility delegated by the Board, the remuneration packages of individual executive Directors. Further details of the Directors' remuneration and the five top-paid employees as required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in Notes 15 and 16 to the consolidated financial statements, respectively.

Nomination Committee

The Company has established a Nomination Committee in accordance with the requirements of the Code to review the structure, size and composition of the Board on an annual basis to ensure that the skills and experience of individual board members meet its diversity requirements and that the members could provide a multi-dimensional view of corporate development and are commensurate with the necessary corporate governance needs; to critically assess the independence of the independent non-executive Directors in accordance with the requirements of the Listing Rules; to make recommendations to the Board on the appointment or re-appointment of Directors; and to regularly review the effectiveness and transparency of the director nomination policy. The Nomination Committee currently comprises three members, executive director Mr. Yuan I-Pei (the committee chairman) and independent non-executive directors, Mr. Cui Yuzhi and Mr. Ping Fan.

For the year ended 31 December 2022, the Nomination Committee met twice, and the attendance records of each member are set out in the section "Attendance Record at Meetings" in this report. The Nomination Committee has considered and provided the Board with the following proposals:

(a) Review the structure, size and composition of the Board, to make sure the Board membership is diverse and aligned with current corporate governance needs, and make recommendations on any proposed changes to the Board to complement the corporate strategy;

(b) Identify individuals suitably qualified to become Board members and make recommendations to the Board;

(c) Assess the independence of independent non-executive Directors; and

(d) Recommend the Board on the appointment or reappointment or succession of proposed and current Directors (especially the Chairperson and Executive Officer).

Board of Directors (Continued)

Nomination Committee (Continued)

The Board has developed and implemented the Board Diversity Policy and the Nomination Policy since 2018 to meet the requirements of the Code which came into effect in 2019. For the year 2022, the Nomination Committee has reviewed the Board Diversity Policy and the Nomination Policy and confirmed that the policies were appropriate and effective. Summaries of the policies are set out below and details of the policies are available on the investor relations section of the Company's website (www.sino-ict.com).

Board Diversity Policy

The Company understands and believes that the diversity of the Board is beneficial to the quality of its performance. Therefore, the Company achieves board diversity from a wide range of aspects when setting the composition of the Board including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service and any other factors that the Board may consider relevant and applicable from time to time.

The Company supports gender equality and has adopted a board resolution to appoint at least one female director by 31 December 2024. The Company will continue to emphasize gender equality throughout company operations. In 2022, the male to female ratio of employees of the Company is 30:7.

High emphasis is placed on ensuring a balanced composition of skills and experience across all levels of the Company to provide diverse viewpoints and perspectives, insights and challenges that enable the Board to discharge its duties and responsibilities effectively, support good decision-making in view of the core businesses and strategy of the Group, and support succession planning and development of the Board.

Nomination Policy

The Nomination Committee advises the Board on the appointment of Directors and the succession plan for the Directors. In assessing the candidates, the committee would refer to the candidate's reputation, achievements and experience in the industry, the time available and the interests of the relevant sectors, diversity in all aspects of the Board and so on. The appointment of any proposed candidate to the Board or reappointment of any existing member(s) of the Board would be made in accordance with the Company's Byelaws and other applicable rules and regulations.

The Nomination Committee reviews the Board Diversity Policy and the Nomination Policy on an annual basis and makes recommendations to the Board for approval regarding any revisions as necessary.

Board of Directors (Continued)

Nomination Committee (Continued)

Nomination Policy (Continued)

Independent directors improve the effectiveness and decision-making of the Board through objective judgment and constructive questions to the management. Independent non-executive directors are subject to an independent assessment in their appointment and reassessment on an annual basis and in any other circumstances requiring reconsideration thereafter. The Nomination Committee has assessed the annual confirmation of independence given by each independent non-executive Director pursuant to Rule 3.13 of the Listing Rules.

Other Mechanisms

The Company has implemented a number of mechanisms to ensure that independent views and opinions are available to the Board:

1. A majority of non-executive directors: During the year ended 31 December 2022, the Board complied with Rules 3.10 and 3.10A of the Listing Rules at all times. Among the 8 members of the Board, 6 are non-executive directors, of which 4 are independent non-executive directors, which is beneficial for the Board to widely accept information from multiple channels.

2. Diversification of Directors: The Directors come from different industries, have rich management experience and professional knowledge, and can provide professional insights and unique perspectives for the decision-making of the Board.

3. Non-executive directors are subject to an independent assessment at the time of their appointment and thereafter on an annual basis and in any other circumstances requiring reconsideration. The nomination committee has reviewed and confirmed the annual confirmation of independence given by each independent non-executive director in accordance with the criteria set out in Rule 3.13 of the Listing Rules.

4. Decision making: If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who, and whose close associates, have no material interest in the transaction shall present at that meeting.

5. Communication between Chairman and the Independent non-executive Directors: The Chairman of the Board holds meetings with the Independent non-executive Directors at least once a year without the presence of other Directors.

Board of Directors (Continued)

Nomination Committee (Continued)

Other Mechanisms (Continued)

The Company has reviewed the implementation and effectiveness of the above mechanisms and believes that these mechanisms have been properly and effectively implemented for the year ended 31 December 2022.

Attendance Record at Meetings

The attendance records of each Director at the Board meetings, Audit Committee meetings, Remuneration Committee meetings, Nomination Committee meetings and general meetings during the year ended 31 December 2022 are set out in the following table:

Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	Annual General Meeting	Special General Meeting
Number of the meeting held	8	2	2	2	1	1
Executive Directors						
Mr. YUAN I-Pei *(Chairman)*	8/8	NA	2/2	1/1*	1/1	1/1
Mr. XIA Yuan *(Chief Executive Officer)*	8/8	NA	NA	NA	1/1	1/1
Mr. Du Yang	4/4*	NA	NA	1/1*	1/1	NA
Non-executive Directors						
Mr. LI Yongjun	8/8	NA	NA	NA	1/1	1/1
Mr. LI Jinxian	8/8	2/2	NA	NA	1/1	1/1
Independent Non-executive Directors						
Mr. WANG Yanxin	8/8	NA	NA	NA	1/1	1/1
Mr. CUI Yuzhi	8/8	2/2	NA	2/2	1/1	1/1
Mr. BAO Yi	8/8	2/2	2/2	NA	1/1	1/1
Mr. PING Fan	8/8	NA	2/2	2/2	1/1	1/1

* Mr. Du Yang resigned from the Board of Directors and the Nomination Committee of the Company on 10 August 2022. During his tenure, the Board of Directors held four meetings and the Nomination Committee held one meeting. Executive Director Mr. Yuan I-Pei succeeded as the Chairman and the chairman of the Nomination Committee of the Company on 10 August 2022. During his term of office, the Nomination Committee held a total of one meeting.

Auditors' Remuneration

For the year ended 31 December 2022, the remuneration paid or payable to the Company's auditor, Grant Thornton Hong Kong Limited, and its affiliated firm is set out as follows:

Services rendered	Fee paid/ payable HK$'000
Audit services	1,772
Non-audit services*	101
	1,873

* Performed by Grant Thornton Hong Kong Limited's affiliated firm.

Company Secretary

The Company Secretary, Mr. Liu Wei, is an employee of the Company who knows the Company's daily operations and businesses. For the year ended 31 December 2022, the Company Secretary attended not less than fifteen hours of relevant professional training to update his skills and knowledge.

Directors' responsibility statement

The Directors acknowledge their responsibility for preparing financial statements for each fiscal year which give a true and fair view of the state of affairs of the Company and the Group's results, its financial performance and its cash flows.

The Directors consider that the Group has adequate resources to continue in operational existence for the near future and it is appropriate to adopt the going concern basis in preparing the financial statements.

Auditor's responsibility statement

The auditor's responsibilities for the audit of the consolidated financial statements of the Group are set out in the Independent Auditor's Report on pages 72 to 77.

Risk Management and Internal Control

The Board is responsible for ensuring that the Group has appropriate risk management and internal control system in place and reviewing the effectiveness of the system on an annual basis, including ensuring adequate resources for accounting, internal audit, financial reporting functions, and Environmental, Social and Governance performance. The Group has put in place corresponding risk management and internal control systems for different business segments and management divisions, and finished the effectiveness review of risk management and internal control system for the year, and identified there were no significant risks. Such systems and management practices are designed to manage rather than eliminate the risk of failure to achieve business objectives due to the uncertainty of risks. Therefore, the Board can only give reasonable but not absolute assurance that there will be no material misrepresentation or loss.

The Group continuously improves its risk management system and continuously enhancing its risk management capability through the established risk management system and risk management procedures to ensure the long-term growth and sustainable development of the Group's business. In terms of ongoing monitoring and management of significant risks, the Group adopts a three-level risk management approach to identify, assess, reduce and deal with risks, from which a top-down and group-wide risk management system is derived. Under the level-1 risk management, the subsidiaries shall identify, assess and monitor risks related to their own businesses or transactions; under the level-2 risk management, the management of the Group shall define the risk management rules, and provide technical and resource support; and under level-3 risk management, the internal audit department shall ensure existence and effectiveness of level-1 and level-2 risk management through continuous inspection and monitoring.

In respect of the internal control, the Group has developed an internal control system with reference to COSO reporting principles, which involves five elements: internal environment, risk assessment, monitoring activities, information and communication, and internal supervision, to ensure that the Group's operations are in compliance with the laws and regulations of the region, that the Group's assets are safe, and that the financial reports and related information are true and complete so that the Group can carry out its business operations safely and effectively. In respect of the effectiveness of the system, the management of the Group formulated a self-assessment questionnaire for internal control in accordance with the COSO framework and instructed the management of each subsidiary to follow and finish the self-assessment for collection and analysis. Further to the self-assessment, the Group checked the deficiencies and has made several corrections and improvements.

Risk Management and Internal Control (Continued)

During the year, the focus of the Group's internal control was on the system and procedure design of new businesses (i.e. energy storage and bird detection radar business). The Group continuously paid attention to the impact of the COVID-19 epidemic on the Company's business, and actively improved the Company's response to the switched business and external environmental renewal. Specifically, the key departments of the Company's internal control are the R&D, market and project departments. The key measures include the review of the R&D team structure and R&D achievement identification; re-evaluation of the customer development procedure, and prevention of customer loss caused by resignation of employees who have customer information alone; arrangement on the project development and landing process according to the actual situation of the project location; internal control systems designed for specific projects, including preliminary feasibility study and process evaluation during the landing process, etc. In addition, the Group continuously pays attention to the epidemic policies of the factory area and the project location, to ensure that the construction of the project was on schedule and the production was operated smoothly and safely under the premise of complying with the epidemic prevention and control policy.

During the year, the Group has adopted a series of managerial measurements against regulatory risks, market competition and innovation risks, and social responsibility risks that may be involved in the production operation, and effectively ensured that the risks faced by the Group were within the controllable level and no significant risk events accrued or need to be disclosed.

The Group also has a dedicated team responsible for handling and disseminating inside information and keeping in view the corresponding internal control measures. The team, comprising Directors, the Company Secretary and other senior management, actively seeks external legal advice on a case-by-case basis to ensure that it complies with the relevant laws and regulations such as the Securities and Futures Ordinance and the Listing Rules.

The Group has also formulated a whistle-blowing policy to allow employees and other stakeholders to raise their concerns about any possible improprieties of the Company to the Audit Committee in confidence and anonymity. The Group has also formulated policies and systems to promote and support anti-corruption laws and regulations. Related contents and details of the controls and governance structure of the Group in relation to the risks of environmental, social and governance matters are set out in the Environmental, Social and Governance Report on pages 53 to 71.

Risk Management and Internal Control (Continued)

During the year ended 31 December 2022, the Board considers that the Group's risk management and internal control systems are effective and adequate. The procedures for financial reporting and compliance with the Listing Rules are effective, and we are aware and satisfied that the management of the Company has confirmed that these systems are adequate and effective. The accounting and financial reporting functions of the Company have been performed by sufficient employees with appropriate qualifications and experience and that such employees have received appropriate and adequate training and development. The Board is also satisfied that the internal control functions of the Group are adequately resourced and that the qualifications and experience of its employees, training programmes and budget are adequate.

Shareholders' Rights

Communication with shareholders

The chairman of the Board attends the annual general meeting every year and the chairmen of committees (wherever applicable) will be invited to attend. The senior management of the Company will ensure that the external auditors attend the annual general meeting to answer questions on audit work, preparation of auditor's report, accounting policies and auditors' independence.

Procedures for Shareholders to convene an Extraordinary General Meeting ("EGM")

Pursuant to the Company's bye-laws and the Companies Act 1981 of Bermuda ("Company Act"), registered Shareholders holding not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("EGM Requisitionists") can deposit a written request to convene an EGM at the registered office of the Company ("Registered Office"), which is presently situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The EGM Requisitionists must state in their request(s) the purposes of the EGM, and such request(s) must be signed by all the EGM Requisitionists and may consist of several documents in like form, each signed by one or more of the EGM Requisitionists.

The Share Registrars will verify the EGM Requisitionists' particulars in the EGM Requisitionists' requests. Promptly after confirmation from the Share Registrars that the EGM Requisitionists' request is in order, the Company Secretary will arrange with the Board to convene an EGM by serving sufficient notice to all the registered Shareholders in accordance with all the relevant statutory and regulatory requirements. On the contrary, if the EGM Requisitionists' request is verified as not in order, the EGM Requisitionists will be advised of the outcome and accordingly, an EGM will not be convened as requested.

Shareholders' Rights (Continued)

Procedures for Shareholders to convene an Extraordinary General Meeting ("EGM") (Continued)

The EGM Requisitionists, or any of them requesting more than one-half of the total voting rights of all of them, may themselves convene an EGM if within twenty-one days of the deposit of the EGM Requisitionists' request, the Board does not proceed duly to convene an EGM provided that any EGM so convened is held within three months from the date of the original EGM Requisitionists' request. An EGM so convened by the EGM Requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Company.

Procedures for shareholders to put forward proposals at a general meeting

Pursuant to the Companies Act, either any number of the registered Shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("Requisitionists"), or not less than 100 of such registered Shareholders, can request the Company in writing to (a) give to Shareholders entitled to receive notice of the next general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to Shareholders entitled to have notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition signed by all the Requisitionists may consist of several documents in like form, each signed by one or more of the Requisitionists; and it must be deposited at the Registered Office with a sum reasonably sufficient to meet the Company's relevant expenses, not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in case of other requisition. Provided that if an AGM is called for a date six weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

Procedures for shareholders to propose a person for election as a Director

As regards the procedures for proposing a person for election as a Director, please refer to the session of Investor/Shareholder Enquiry under the column of Investor Relations of the Company's website (www.sino-ict.com).

Shareholders' Rights (Continued)

Procedures for directing shareholders' inquiries to the Board

Shareholders may at any time send their inquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

The Company Secretary
Mr. Liu Wei
Unit 02-03, 69/F,
International Commerce Centre,
1 Austin Road West,
Tsim Sha Tsui,
Kowloon, Hong Kong

Fax: (852) 2343 3120
Email: enquiry@sino-ict.com

Shareholders may also make inquiries with the Board at the general meetings of the Company.

Investor Relations

The Memorandum and Articles of the Association of the Company have been posted on the session of Bye-laws under the column of Investor Relations of the Company's website (www.sino-ict.com) for investors' review. For the year ended 31 December 2022, there were no significant changes in the bye-laws of the Company.

Channels that the Company disclose important information to the Shareholders to communicate their views include the Company's financial reports (interim and annual reports), circulars, annual general meeting(s) and other general meetings that may be convened as well as regulatory disclosures as may be required or necessary through the website of HKEx and the Company's website.

The Company has reviewed the implementation of shareholders' communication channels and confirmed that its communication with the Shareholders was effective.

FIVE YEAR FINANCIAL SUMMARY

A Summary of the results and of the assets and liabilities of the Group for the past five years as extracted from the published audited consolidated financial statements and restated/reclassified as appropriate, is set out below. Meanwhile, due to the change in accounting policy for property, plant and equipment, the Group has made retrospective adjustments and restatement on the comparative amounts for the previous annual reporting periods in accordance with HKAS 8.

	Year ended 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
				(Restated)	(Restated)
RESULTS					
Revenue and gain on securities investment	**231,616**	322,981	270,560	201,163	71,430
(Loss)/Profit before income tax	**(33,641)**	46,416	25,249	(6,802)	(143,422)
Income tax credit/(expense)	**549**	(8,134)	(5,599)	(4,809)	20,822
(Loss)/Profit for the year	**(33,092)**	38,282	19,650	(11,611)	(122,600)

	As at 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
				(Restated)	(Restated)
ASSETS AND LIABILITIES					
Total assets	**1,157,741**	759,615	753,206	699,448	634,914
Total liabilities	**(804,224)**	(411,026)	(443,992)	(410,102)	(331,996)
	353,517	348,589	309,214	289,346	302,948

DIRECTORS PROFILES

Executive Directors

Mr. Yuan I-Pei, aged 51, serves as Executive Director, Chairman of the Board, Chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. Mr. Yuan is currently the director and Executive Vice President of Sino IC Leasing Co., Ltd (芯鑫融資租賃有限責任有限公司) and chairman, legal representative, director and President of UNIC Capital Management Co., Ltd. (中青芯鑫(蘇州工業園區)資產管理有限責任公司), and concurrently serves as the Director of Sino Xin Ding Limited, the direct controlling shareholder of the Company. Besides, Mr. Yuan also serves as the Director of Shanghai S2C EDA Solutions Co., Limited (上海國微思爾芯技術股份有限公司) and Semiconductor Global Solutions (Shanghai) Co., Limited (盛吉盛 (上海) 半導體科技有限公司). Mr. Yuan began his career in 1996 and worked for various international banks, such as Citibank, CTBC Bank (中國信託銀行) and Barclays Capital. Mr. Yuan was previously Vice President of Temasek's Fullerton Financial Holdings Pte. Ltd. (淡馬錫富登金融控股私人有限公司), Director at Australia and New Zealand Banking Group, and Vice President of Bank of Tianjin (天津銀行). Mr. Yuan holds a bachelor's degree in Economics from Tsinghua University in Taiwan (台灣清華大學), China, and an MBA degree from the University of Wisconsin-Madison in the US.

Mr. Xia Yuan, aged 42, serves as Executive Director and Chief Executive Officer of the Company. Mr. Xia Yuan holds a doctoral degree in Communication Studies from Zhejiang University (浙江大學), an EMBA from the PBC School of Finance at Tsinghua University (清華大學五道口金融學院) and a master's degree in Marketing Communication from Bournemouth University. Mr. Xia Yuan is currently the Executive Vice President of Sino IC Leasing Co., Ltd (芯鑫融資租賃有限責任有限公司), and concurrently serves as the Director and President of Sino Xin Ding Limited, the direct controlling shareholder of the Company. Mr. Xia Yuan served as the Assistant General Manager of Beijing Tong Ren Tang Health Pharmaceutical Co. Ltd. (北京同仁堂健康藥業股份有限公司), the Vice President, and Assistant to President of China Great Wall Computer (H. K.) Holdings Limited (中國長城計算機(香港)控股有限公司), a Sales Engineer and a Sales Manager at Huawei Technologies Co. Ltd. (華為技術有限公司). Mr. Xia Yuan has over 10 years of experiences in strategic planning, marketing and capital operations.

Non-executive Directors

Mr. Li Yongjun, aged 50, serves as Non-executive Director of the Company. Mr. Li Yongjun is currently the Founding Partner, Director and Executive President of Shanghai Pudong Science and Technology Investment Co., Ltd. (上海浦東科技投資有限公司), the Director of Shanghai Wanye Enterprise Co., Ltd. (上海萬業企業股份有限公司), the Director and President of Shanghai Semiconductor Equipment and Materials Industry Investment Management Co., Ltd. (上海半導體裝備材料產業投資管理有限公司), the Director of PhiChem Corporation (上海飛凱材料科技股份有限公司), the Board Chairman of Jiangsu Xinshun Micro Electronic Co., Ltd. (江蘇新順微電子有限公司) and the Board Chairman of Kingstone Semiconductor Joint Stock Company Ltd. (上海凱世通半導體股份有限公司). Prior to his current positions, Mr. Li Yongjun worked in Shanghai Pudong New Area Science and Technology Committee (上海市浦東新區科學技術委員會), Shanghai Pudong Productivity Promotion Centre (上海浦東生產力促進中心), Shanghai Pudong Science and Technology Information Centre (上海市浦東科技資訊中心) and Pudong New Area Science & Technology Bureau High-Tech Industrialization Department (浦東新區科技局高新技術產業化處). In addition, he was previously the General Manager of Otsuka (China) Investment Co., Ltd. (大塚 (中國) 投資有限公司), the General Manager of Shanghai Pudong Science and Technology Investment Co., Ltd. (上海浦東科技投資有限公司), the Vice Chairman of Shanghai Wanye Enterprise Co., Ltd. (上海萬業企業股份有限公司), the Chairman of Shanghai Xinmei Real Estate Co., Ltd. (上海新梅置業股份有限公司) successively. Mr. Li Yongjun holds a doctorate postgraduate degree from Shanghai Jiao Tong University (上海交通大學) in the PRC.

Mr. Li Jinxian, aged 49, serves as Non-executive Director and member of the Audit Committee of the Company. Mr. Li Jinxian is currently the Executive Vice President of UNIC Capital Management Co., Ltd (中青芯鑫(蘇州工業園區)資產管理有限責任公司). Prior to joining UNIC Capital Management Co., Ltd. (中青芯鑫(蘇州工業園區)資產管理有限責任公司), he worked in China Agriculture, Farming and Fishery International Cooperation Co., Ltd. (中國農牧漁業國際合作公司), China Cinda Asset Management Co., Ltd. (中國信達資產管理公司), Morgan Stanley Asset Services China Co., Ltd. (摩根士丹利資產服務中國有限公司) and Cathay Consulting Beijing Co., Ltd. (CATHAY顧問北京有限公司), which is wholly-owned by Deutsche Bank. Mr. Li Jinxian was also previously the Managing Director of Guokai Ruohua Industry Investment Fund Management Co., Ltd. (國開熔華產業投資基金管理有限責任公司). Mr. Li Jinxian holds a bachelor's degree in Economics from the Capital University of Economics and Business (首都經濟貿易大學) in the PRC and a part-time postgraduate degree with expertise in technical economics from Renmin University of China (中國人民大學) in the PRC.

Independent Non-executive Directors

Mr. Wang Yanxin, aged 65, serves as Independent Non-executive Director of the Company. He held key positions in various organisations in the PRC, including the Chairman of the supervisory board of China Integrated Circuit Industry Investment Fund Co. Ltd. (國家集成電路產業投資基金股份有限公司), Chairman of the supervisory board of Yangtze Memory Technology Co., Ltd. (長江存儲科技有限公司) (National Storage Base), etc. Mr. Wang Yanxin holds a bachelor's degree in Accounting from Renmin University of China (中國人民大學) in the PRC and a master's degree in political economy from the Department of Economics of Renmin University of China (中國人民大學) in the PRC, and is qualified as a senior economist in the PRC.

Mr. Cui Yuzhi, aged 57, serves as Independent Non-executive Director, Chairman of the Audit Committee and member of the Nomination Committee of the Company. Mr. Cui Yuzhi is a seasoned independent investment advisor. He holds a Bachelor of Science degree in Applied Physics from the University of Notre Dame (graduated with highest honour), and an MBA from the University of Chicago Booth School of Business. Mr. Cui Yuzhi has more than 20 years' experience in finance with deep expertise in the international capital market and enterprise operations. Mr. Cui Yuzhi held senior positions at various organisations, including the Executive President of Tendcare Medical Group, the Portfolio Manager at Atlantis Investment Hong Kong, the General Manager of investment and operations at Renhe Commercial (stock code: 1387.HK), the CFO of Zhong An Real Estate (stock code: 672.HK), the CFO of Excellence Group, the CFO of Treasury Holdings China Limited and the Vice President of Shanghai Forte Group. Mr. Cui Yuzhi is currently the Chairman of the Board and Executive Director of Forgame Holdings Limited (stock code: 484.HK).

Independent Non-executive Directors (Continued)

Mr. Bao Yi, aged 47, serves as Independent Non-executive Director, Chairman of the Remuneration Committee and member of the Audit Committee of the Company. Mr. Bao Yi is currently the Chairman of Cedarlake Capital, a cross-border platform of equity investments, and is committed to drive the value creation of synergy among global major industries, economies, and capital markets. Prior to the establishment of Cedarlake Capital, Mr. Bao Yi was an important investment banker and the Managing Director of Morgan Stanley, and served as the Chief Executive Officer of Morgan Stanley Securities (China) Co., Ltd. Mr. Bao Yi also served as the Chairman of Granday Financial Leasing Co., Ltd. Mr. Bao Yi holds an MBA degree from the Wharton School of the University of Pennsylvania. He is granted a financial expert of the Hundred Talents Program of Pudong District, Shanghai.

Mr. Ping Fan, aged 44, serves as Independent Non-executive Director and member of the Remuneration Committee and Nomination Committee of the Company. He holds a bachelor's degree in Management from the Business School of the University of Manchester, and an EMBA from the School of Economics and Management of Tsinghua University. Mr. Ping Fan is currently the Chairman and CEO of Lang Sheng Investment Group Co. Ltd., a Commissioner of the All-China Youth Federation, an Entrepreneurs' Council Member of the Chinese Economists 50 Forum, and a member of CPPCC of Shanghai Huangpu District, and the Chairman of the Shanghai Concord Bilingual School.

REPORT OF THE DIRECTORS

The Board hereby present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2022.

Principal Activities

During the year, the principal activity of the Company is investment holding, and the principal activities of its respective subsidiaries cover the business of (i) SMT equipment manufacturing; (ii) securities investment; (iii) development, building and operation of energy storage power stations in the PRC; and (iv) manufacture of advanced domestic radar hardware and development, application and system integration of radar intelligent software. During the year, the main business of the Group includes (iii) and (iv) in addition to the existing businesses.

Results and Dividends

The Group's loss for the year ended 31 December 2022 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 78 to 193.

The Board do not recommend the payment of a dividend for the year.

Summary of Financial Information

The published results and a summary of assets and liabilities of the Group for the last five financial years are set out on page 40 of this annual report.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group and the Company during the year are set out in Note 18 to the consolidated financial statements.

Share Capital

Details of movements in the Company's share capital during the year are set out in Note 27 to the consolidated financial statements.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in Note 38 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

At 31 December 2022, the Company's distributable reserves, in the amount of HK$88,912,000, may be distributed in the form of fully paid bonus shares.

Bank and Other Borrowings

Details of bank and other borrowings of the Group during the year are set out in Note 31 to the consolidated financial statements.

Major Customers and Suppliers

During the year, aggregate sales attributable to the Group's five largest customers were approximately 20.36% of the total sales for the year and sales attributable to the largest customer included therein were approximately 8.14%. Purchases from the Group's five largest suppliers accounted for approximately 21.6% of total purchases during this year and purchases from the largest supplier included therein amounted to approximately 5.5%.

None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest suppliers during the year.

Directors

The Directors of the Company are as follows:

Executive Directors

Mr. YUAN I-Pei *(Chairman)* (appointed as Chairman on 10 August 2022)
Mr. XIA Yuan *(Chief Executive Officer)*
Mr. DU Yang (resigned on 10 August 2022)

Non-executive Directors

Mr. LI Yongjun
Mr. LI Jinxian

Independent Non-executive Directors

Mr. WANG Yanxin
Mr. CUI Yuzhi
Mr. BAO Yi
Mr. PING Fan

Mr. Du Yang resigned as an executive director of the Company on 10 August 2022 due to his need to devote more time to other matters for personal reasons.

In accordance with clause 87 and 88 of the Company's bye-laws, Mr. Xia Yuan, Mr. Cui Yuzhi and Mr. Ping Fan will retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting of 2023, as informed to the Board.

In accordance with the Company's bye-laws, the Directors of the Company, including the independent non-executive Directors, are subject to retirement by rotation and re-election at the annual general meeting. Every director is subject to retirement at least once every three years.

The Company has received annual confirmations of independence from all independent non-executive Directors and as the date of this report still considers them to be independent.

Directors' Biographies

Biographies details of the Directors of the Company are set out on pages 41 to 44 of this annual report.

Directors' Service Contracts

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not terminable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2022.

Related Party Transactions

During the year ended 31 December 2022, the Group had not entered into any non-exempted connected transaction under the Listing Rules. Related party transactions entered into by the Group during the year ended 31 December 2022, which do not constitute non-exempted connected transactions under the Listing Rules, are disclosed in Note 37 to the consolidated financial statements.

Competing Interest

During the year ended 31 December 2022, none of the Directors, the controlling shareholders, and their respective close associates (as defined under the Listing Rules) was interest in any business which competes or may compete with the business of the Group.

Contract of Significance

There was no contract of significance between the Company or any of its subsidiaries, and the controlling shareholders or any of its subsidiaries as at 31 December 2022.

Directors' Interests in Shares and underlying Shares

As at 31 December 2022, none of the Directors had any interest or short position in the share capital of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), that was required to be recorded in the register pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Directors' Rights to Acquire Shares or Debentures

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children by the Company, or were any such rights exercised by them; or was the Company, or any of its subsidiaries as a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Substantial Shareholders' Interest in Shares and Underlying Shares

At 31 December 2022, according to the register required to be kept by the Company under section 336 of the SFO, the following persons (other than the Directors or Chief Executive of the Company) had an interest or short position in the shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long position in the Shares

Name of Shareholder	Nature of Interest	Number of The ordinary share held	Approximate percentage of total shareholding %
Sino Xin Ding Limited *(note 1)*	Beneficial owner	987,176,230	67.85
Chen Ping	Beneficial owner	100,000,000	6.87
But Tin Fu *(note 2)*	Beneficial owner/Interest of controlled corporation	87,783,168	6.03
Reach General *(note 3)*	Beneficial owner	84,270,000	5.79

Notes:

1. Sino Xin Ding Limited is wholly owned by Shanghai Qingxin Enterprise Management Consulting Co., Ltd. ("Shanghai Qingxin") (上海青芯企業管理諮詢有限公司), which in turn, is owned as to 50.1% by UNIC Capital Management Co., Ltd. (中青芯鑫(蘇州工業園區)資產管理有限責任公司), 28% owned to Shanghai Semiconductor Equipment and Materials Industry Investment Fund Partnership (Limited Partnership) (上海半導體裝備材料產業投資基金合夥企業(有限合夥)), and 21.9% owned by Henan Zhanxing Industrial Investment Fund (Limited Partnership) (河南戰興產業投資基金(有限合夥)).

2. Mr. But Tin Fu is interested in 87,783,168 shares, comprising (a) 37,525,200 shares directly held by Mr. But Tin Fu, (b) 3,796,000 shares directly held by Sun East Group Limited, which is beneficially owned as to 50% by Mr. But Tin Fu and 50% by Ms. Leung Hau Sum, who is the wife of Mr. But Tin Fu, (c) 2,424,800 shares directly held by Sum Win Management Corp., which is wholly owned by Mr. But Tin Fu, and (d) 44,037,168 shares directly held by Mind Seekers Investment Limited, which is wholly owned by Mr. But Tin Fu.

3. Reach General International Limited ("Reach General") is 100% beneficially owned by Mr. Wu Xin.

Save for the interests disclosed above, the Company had not been notified of any person (other than the Directors or Chief Executive Officer of the Company) who had interests (whether direct or indirect) or short positions in the shares or underlying shares of the Company that were required to be recorded in the register kept by the Company under Section 336 of the SFO as of 31 December 2022.

Purchase, Redemption or Sales of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares preferentially on a pro-rata basis to existing shareholders.

Management Contracts

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year.

Tax Relief

The Company is not aware of any relief from taxation available to the shareholders of the Company by reason of their holding of the shares of the Company.

Permitted Compensation Provision

The by-laws of the Company provides that each Director or other Officers of the company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in the execution of the duties of his or her office or otherwise in relation thereto. In addition, the Company has maintained appropriate Directors' and Officers' liability insurance in respect of relevant legal actions against the Directors.

Subsequent Event after the Reporting Period

The Group does not have any material subsequent events after the reporting period and up to the date of this annual report.

Segment Information

Details of segment information are set out in Note 6 to the consolidated financial statements.

Environmental Policies Performance

The Group is committed to the maintenance of the long-term sustainability of the environment and communities in which it operates. As a responsible corporation, to the best knowledge of the Directors, the Group has complied with the relevant laws and regulations regarding environmental protection during the year ended 31 December 2022.

Compliance with the Relevant Laws and Regulations

As far as the Board and management of the Company are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the businesses and operations of the Group. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Relationship with Suppliers, Customers and Other Stakeholders

The Group understands fully the success of the Group's business depends on the inextricably-linked support from its key stakeholders, including employees, customers, suppliers, banks, regulators, and shareholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

Equity-linked Agreement

Save as disclosed in this annual report, the Group has not entered into any equity-linked agreement during the year.

Directors' Remuneration

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to directors' duties, responsibilities and performance and the results of the Group.

Sufficiency of Public Float

Based on the public information that is available to the Company and within the knowledge of the Directors, the Directors confirmed that at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Auditors

The consolidated financial statements of the Company for the year ended 31 December 2022 was audited by the Company's auditor, Grant Thornton Hong Kong Limited ("Grant Thornton Hong Kong"),

Grant Thornton Hong Kong has retired and has been reappointed at the 2022 Annual General Meeting of the Company with its terms of office until the conclusion of the forthcoming annual general meeting of the Company. It will be eligible and offer itself for re-appointment at that meeting.

Grant Thornton Hong Kong was appointed as auditor of the Company with effect from 28 July 2021, prior to which date the Company's auditor was PricewaterhouseCoopers.

On behalf of the Board
Yuan I-Pei
Chairman

Hong Kong
29 March 2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Dear Shareholders, investors and stakeholders,

On behalf of the board of directors of Sino ICT, I hereby present the Environmental, Social and Governance (the "ESG") Report (the "Report") of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2022 to review and illustrate its management approaches, strategies, measures, objectives and achievements in each of the ESG aspects.

Governance Policies

The Group fully understands that an enterprise, as a member of the society, should actively take the corresponding social responsibilities to promote the common development and benefits of the enterprise, the natural environment and social stakeholders. During the Reporting Period, the Group demonstrated its commitment to sustainable development by strictly implementing various laws and regulations on environmental protection and in-company policies on environmentally friendly operations, and proactively researching and promoting environment-friendly products, for a maximum reduction in the effect that energy consumption, emissions had on the natural environment. In terms of social responsibilities, the Group continued to provide a safe and good working and living environment and constantly broadened the development platform for its employees to facilitate the common development of the enterprise and its employees. In addition, the Group also actively maintained positive relationships with its suppliers, customers and stakeholders, and invested in the community to undertake corporate social responsibilities.

The specific environmental, social and governance policies and measures applied and adopted by the Group are disclosed in specific sections of the Report.

Governance Structure

In response to the update of the Environmental Social and Governance Reporting Guide ("ESG Guide") and the relevant provisions of the Listing Rules by the Stock Exchange set out in Appendix 27 of the Listing Rules, the Group has focused on the governance responsibilities for ESG issues for the Board, including the deployment of supervisory strategy, review of the progress and process of ESG issues, customization of the management evaluation methods and review of the results. The Group has set up an ESG task force (the "ESG Task Force") for effective governance over ESG issues by the Board in a clear and institutionalized manner. The ESG Task Force consists of the executive directors, senior management and persons in charge of specific operations of the Company, covering various ESG issues related departments including the Board Office, Finance Department, Administrative Department, Human Resources Department and Marketing Department. It is mainly responsible for: (i) assessing the ESG issues that have a significant impact on the operation and development of the Group based on the communication with stakeholders and the Group's business characteristics, and prioritizing such ESG issues by materiality to determine the reporting scope and focuses. The aforementioned assessment process and results should be reviewed and reported to the Board on a regular basis; (ii) conducting continuous monitoring of the Group's ESG performance, collecting and collating all the data and information about ESG as required for the Report, and making reports and suggestions to the Board regarding the management strategies and the progress of the ESG issues based on the assessment results; and (iii) drafting the Report for the Board's review.

In summary, the Board will be constantly concerned about the ESG-related governance policies and governance structure, review the effectiveness of the Board's governance over ESG issues in due course, and make adjustments when necessary based on the results of all measures adopted, the future business development and the market situation. The Group will make constant efforts to improve its performance in ESG fields for greater contributions to the sustainable development of society.

YUAN I-Pei
Chairman of the Board

Reporting Standards and Scope

This Report is prepared in accordance with the requirements of the ESG Guide. This Report covers the ESG information and activities of the Group during the period from 1 January 2022 to 31 December 2022 (the "Reporting Period"). The environmental and social data in the Report mainly cover the Group's production area in Shenzhen, Guangdong Province, Mainland China (the "Site") which bears the Group's major production activities. Therefore, the management believes the ESG data and information of the Site can adequately reflect the Group's ESG performance, and such data were mainly derived from internal records and estimates. During the Reporting Period, the Group added Energy Storage Business and Radar Business as principal activities. However, as the new businesses is still in the early stage of investment, it has not affected the Group's ESG performance and is therefore not included in the ESG Report. The Group will regularly review the new businesses and include them in the ESG Report in the future in due course.

The Report is prepared in accordance with the reporting principles of materiality, quantitative and consistency. The Group records and discloses all environmental and social data based on the fixed quantitative standards and approaches it always adopts, and keeps the consistency of the statistical standards for all key performance indicators. For the purpose of the materiality assessment, the ESG Task Force has teased out the stakeholders that have a significant impact on the operation and development of the Group, and has assessed the materiality of all ESG issues. During the Reporting Period, the participation of the stakeholders and the materiality assessment results of ESG issues are presented as follows.

Participation of Stakeholders

The Group fully understands that the long-term stable development of an enterprise relies on positive interactions with all major stakeholders. We communicate with our major stakeholders including the shareholders, employees, suppliers, customers, governments and communities via multiple communication channels to collect their opinions and suggestions on the ESG issues of the Group and try our best to make improvements to enhance our governance level.

Reporting Standards and Scope (Continued)

Participation of Stakeholders (Continued)

Major stakeholders	Communication channels
Shareholders and investors	Annual general meetings and other general meetings (if any), Interim reports, annual reports, announcements and other published information Company website Circulars
Employees	Regular performance appraisal Job training, team building activities and cultural activities Face-to-face talks
Suppliers	Business meetings and face-to-face talks Invitations for bids and bidding Supplier meetings
Customers	Customer support hotline and e-mail box Exhibitions of products
Governments and Communities	Volunteer activities Interviews (if any) Field tests and inspections Charity activities and social investments

Reporting Standards and Scope (Continued)

The Group has taken into account the practical conditions such as its business characteristics, geographical location and business operations in identifying the ESG issues and assessing their impacts on the Group and its major stakeholders (including the shareholders, employees, customers, suppliers, governments and communities), and ranked the ESG issues by materiality, with reference to the feedback from the relevant stakeholders collected through various communication channels.

The relevant material issues and the subject areas they belong to in the ESG Guide are set out below:

ESG Index	Material ESG issues	Materiality
A. Environmental		
A1. Emissions	Greenhouse gas emission	Medium
	Waste management	Medium
A2. Use of Resources	Energy consumption	Medium
	Water consumption	Medium
	Packing material consumption	Medium
A3. The Environment and Natural Resources	Impact of operating activities on the environment and natural resources	Medium
A4. Climate Change	Impact of extreme weather (such as typhoons and high temperatures) on production and operating activities	Medium

Reporting Standards and Scope (Continued)

ESG Index	Material ESG issues	Materiality
B. Social		
B1. Employment	Recruitment, promotion and dismissal	Medium
	Remuneration and benefits	Medium
	Equal opportunity	Medium
B2. Health and Safety	Workplace safety supporting facilities and management system	High
	Safety supporting facilities and management system for employees' living area	High
B3. Development and Training	On-the-job training and diversified development for employees	Medium
B4. Labour Standards	Prevention of child labour and forced labour	High
B5. Supply Chain Management	Fair and clear procurement rules	Medium
	Stable business relationship	Medium
B6. Product Responsibility	Intellectual property After-sales services	High Medium
	Privacy protection	High
B7. Anti-corruption	Anti-corruption and anti-bribery policies and reporting mechanism	Medium
	Anti-corruption training	Medium
B8. Community Investment	Community participation	Medium
	Charity activities	Low

Reporting Standards and Scope (Continued)

A. Environmental

A.1 Emissions

During the Reporting Period, the Group was principally engaged in SMT equipment manufacturing and semiconductor-related business. Different from the production process of general industrial enterprises, it does not emit a significant amount of highly polluting exhaust, wastewater, or solid waste during our production process. In addition, the Group has outsourced its basic processing procedure, therefore did not generate hazardous waste such as sewage and sludge as defined by national regulations.

During the Reporting Period, the Group strictly complied with national and local laws and regulations, including *the Law of the People's Republic of China for Environmental Protection*, the *Law of the People's Republic of China for Environmental Protection Tax*, the *Law of the People's Republic of China on Appraising of Environment Impacts*, the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste and the Administrative Measures for the Classification*, the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, and the *Measures for the Administration of Environmental Surveillance*.

The emissions generated in the operation and production processes of the Site are mainly from logistics and transportation. During the Reporting Period, the Group generated 3.20kg of nitrogen oxides (NO_x), representing a year-on-year decrease of about 12.19% from 3.64kg and a continuous decrease for the fifth consecutive year; 0.04kg of oxysulfides (SO_x), representing a decrease of 27.36% as compared with last year; and 0.24kg of particulate matters (PM) ,representing a decrease of 15.17% as compared with last year.

As none of the fossil fuel, oil and liquefied petroleum gas was directly purchased as the energy source for the production and operation of the Site, the direct emissions of greenhouse gases are mainly due to the consumption of gasoline and diesel by vehicles. During the Reporting Period, approximately 7.75 tons of greenhouse gases directly generated from the Site were emitted, representing a decrease of about 9.26% as compared with 8.54 tons last year. Among which, approximately 6.90 tons of carbon dioxide (CO2) were emitted, representing a 9.61% decrease compared with 7.64 tons last year; approximately 0.01 tons of methane (CH4) was emitted, almost flat with that of last year, and approximately 0.83 ton of nitrous oxide (N2O) was emitted, representing a 6.20% decrease compared with 0.88 tons last year. The greenhouse gases emitted indirectly were mainly produced by the purchased electricity on which the daily operation of the Site relies. During the Reporting Period, the total amount of greenhouse gases indirectly produced by the Site was approximately 1,376.35 tons, representing an increase of 13.17% as compared with 1,216.14 tons last year. Carbon dioxide (CO2) emissions from such electricity consumption were calculated in accordance with *the Guangdong Province Enterprise (Unit) Carbon Dioxide Emissions Information Reporting Guide (2022 Revision)（《廣東省企業（單位）二氧化碳排放信息指南（2022年修訂）》）**.

* *For identification purposes only.*

Reporting Standards and Scope (Continued)

A. Environmental (Continued)

A.1 Emissions (Continued)

In general, during the Reporting Period, the Site kept emissions of various gases flat with those of last year with slight fluctuation in some indicators. The Group has set the emissions reduction target to further reduce gas emissions where practicable and to maximize the reduction of the adverse impact of its production and operation on the environment. For the purpose of vehicles management, the Group has formulated well-developed rules on vehicles management and assigned special personnel to record and monitor the use of vehicles and its reasonableness for the avoidance of unnecessary energy consumption. When it comes to indirect emissions, the Group carries out detailed inspection and maintenance for all vehicles on a regular basis to ensure that the vehicles are in good working condition and the emissions meet the legal and regulatory requirements. Moreover, diesel was used to further reduce the Site's emissions of greenhouse gases for its low greenhouse gas emission coefficient together with lead-free gasoline.

In terms of wastes, no hazardous waste was generated during our production and operation processes of the Site as described above. During the Reporting Period, the Site generated 13 tons of non-hazardous domestic waste, representing a year-on-year decrease of 13.33 % from 15 tons last year. The Group's target is to further reduce the wastes generated where practicable and to maximize the effect of waste recycling. To be more specific, the Group will continue to promote a corporate culture of waste reduction and environmental protection, constantly encourage all employees to reduce the amount of waste generated and enhance the recycling efficiency of domestic waste. The Group has framed a detailed regulation on waste recycling and management and implemented it accordingly to ensure effective recycling and disposal of all kinds of wastes. For example, a specialized garbage collection station has been set up on the Site to sort the wastes from the production workshops, warehouses, offices, dormitories, and other areas of the Site into recyclables, non-recyclables and production tailings. External cleaning companies are also engaged to carry out the collection of harmless treatment of the sorted wastes.

Reporting Standards and Scope (Continued)

A. Environmental (Continued)

A.2 Use of Resources

The Site uses electricity and water in its production and operation areas as well as its employees' living areas. During the Reporting Period, the total electricity consumption of the Site was 2,157,619kWh, representing a year-on-year increase of approximately 13%, water consumption was 31,113 cubic meters, representing a year-on-year increase of approximately 34.05% as compared with last year. The Group has appropriate access to water sources, and all production and living areas have stable water supply to meet daily operational needs. With reference to the Law of the People's Republic of China for Energy Saving, the Group has formulated internal management policies and relevant instructions on the use of electricity and water. And it has set the target to further reduce unnecessary resources consumption where practicable while trying its best to improve resource utilization efficiency and maintain the current resources consumption level.In terms of the use of electricity, the principles are safety and conservation. The Group's engineering and maintenance department is responsible for the regular inspection and maintenance of production, office and living equipment to ensure that all are in the best working condition to reduce unnecessary electricity consumption. At the same time, the Group requires the employees to conserve electricity whenever possible, including switching off or plugging off appliances and devices from the power source after use to reduce standby power consumption, making good use of indoor lighting, etc. In respect of water use, the Group has no issue in sourcing water and has established clear regulations to manage water consumption by conducting monthly analyses and reviews on the Site's water consumption. The Group also encourages the employees to save water.

The Group mainly uses wooden boards, stretch films and cardboard to pack its products for shipment, having been eliminating the use of PE plastic bags which are difficult to be degraded for packaging for the third consecutive year. During the Reporting Period, the total consumption of such materials was 154.99 tons, representing a decrease of 20% as compared with 194.80 tons last year. The consumption of wooden boards, our most-used packaging material, was 152 tons ,representing a decrease of 20% as compared with 190 tons last year. In addition, to minimize the potential harm to the environment along the packaging process, our procurement standard for packaging materials has always been "simplified" and "recyclable".

Reporting Standards and Scope (Continued)

A. Environmental (Continued)

A.3 The Environment and Natural Resources

The Group's operation has no significant impact on the environment and natural resources. The Group has always adhered to the concept of "going green and low-carbon" and strived to implement the concept in every business segment. The Group strives to minimize its impact on the environment by formulating environmental-related policies and procedures and adopting various actions for energy conservation and emission reduction to achieve higher energy efficiency. The measures in detail are illustrated in the "Emissions" and "Resource Use" sections.

A.4 Climate Change

The Site is located in Shenzhen City, Guangdong Province, the Group's major customers and suppliers are located in South China. After reviewing the business characteristics and scope of the Group and by taking the geographical environment of the Group's supply chain locations into account, the senior management believes that there is a low likelihood that all kinds of extreme weather may have significant impacts on the Group's production and operating activities and supply chain. However, the Group has formulated countermeasures against the emergency risks which may be caused by extreme weather, so to minimize impacts.

Affected area(s)	Extreme weather	Countermeasures
Production and operation	Typhoon	Pay close attention to the early warning signals sent by the government and meteorological agencies, and stop outdoor operations when necessary to ensure that employees stay in indoor safe places.
	High temperature	Avoid outdoor operations under high temperatures set by the local labour laws, and provide drinks to employees when necessary for relieving summer heat and reducing the chance of sunstroke.

Reporting Standards and Scope (Continued)

B. Social

B.1 Employment

Employees are one of the most important sources of enterprise competitiveness. Adhering to the "people-oriented" management philosophy, the Group values the personal development of its employees, safeguards their rights and interests, protects their health and safety, and cares about their life while highlighting the corporate values of "creating, sharing, undertaking and conveying". We believe that the Group can keep making progress in a diversified and harmonious environment. In strict compliance with relevant labour laws and regulations, including but not limited to the *Labour Law of the People's Republic of China*, the *Work Safety Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China*, the *Social Insurance Law of the People's Republic of China*, the Hong Kong *Employment Ordinance*, the Group regularly track and identify updates of relevant laws and regulations, enhances the rights and interests of the employees regarding their remuneration, benefits, rest time and other aspects by continuously improving its systems and mechanisms, and strives to create the best internal environment for the development of all employees.

The Group treats all the candidates equal when dealing with dismissal, recruitment and promotion of its employees, and provides an equal and diversified platform for all employees. During the recruitment, the Group ensures that there is no discrimination in terms of gender, age, sexual orientation, religion, race, etc., and strictly abides by the approval process and system. The Group implements a flexible remuneration system, in which factors such as employee qualifications, personal capabilities, market wage levels and corporate profits are considered. The Group treats all employees equally while values the individuality of each. The Group cares about the employees in difficulties and offers assistance through different working policies to safeguard their legal rights and interests. Moreover, the Group provides the employees with various welfare benefits, including festivals benefits, birthday benefits, occupational health check and physical examinations, as well as subsidies on meals, transportation, telephone charges, etc. In addition, the Group attributes its success to its employees and offers bonuses as incentives to the individuals and teams who have made prominent contributions to the development of the Company.

The Group strictly complies with relevant laws and regulations, and standardizes the management of working hours, rest time and leaves through system requirements and contract terms, with a view to protecting the legal rights and interests of the employees in respect of labour remuneration, working hours, rest time and leaves, etc. During the Reporting Period, the Group did not violate any local governmental policies on employees' salaries, nor had any material violations of laws, regulations and professional ethics, such as forced or compulsory labor.

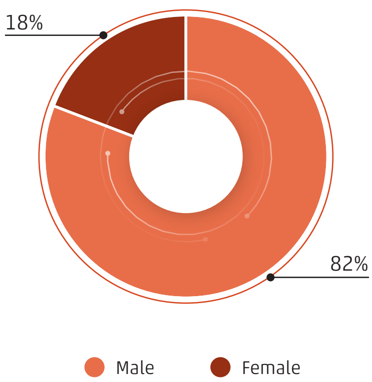
Reporting Standards and Scope (Continued)

B. Social (Continued)

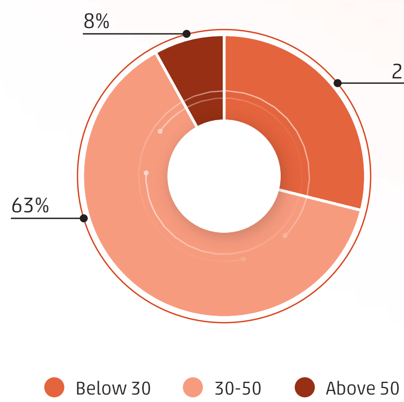
B.1 Employment (Continued)

During the Reporting Period, the Site had 358 employees in total, which may be grouped by gender, employment type and age as follows:

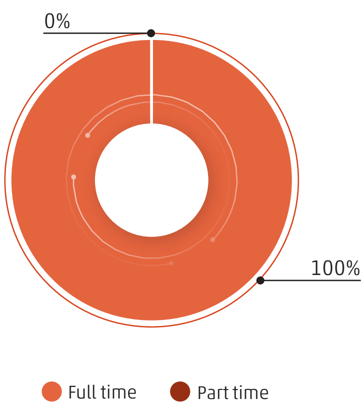
By gender



By age



By employment type

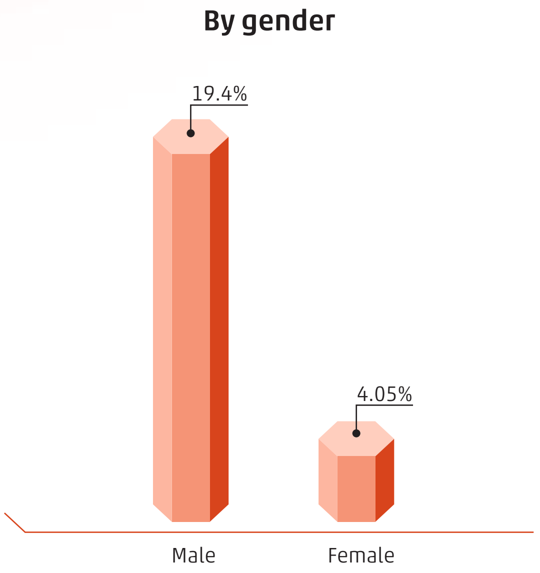


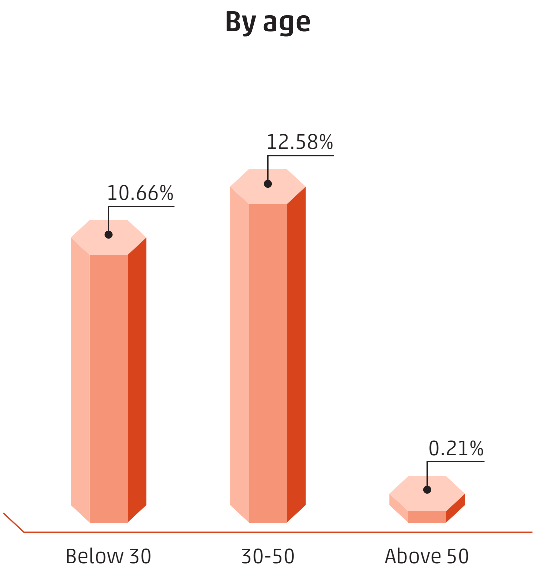
Reporting Standards and Scope (Continued)

B. Social (Continued)

B.1 Employment (Continued)

A stable working environment helps to lower the employee turnover rate, which is of some importance to the stable development of an enterprise and the maintenance and improvement of its productivity. The Group offers competitive remuneration and benefits to its employees. Meanwhile, it also provides sufficient on-the-job training to its employees, focuses on the communication with employees, like soliciting opinions on the relevant policies or jobs from its employees on a regular basis, to provide them with better growth and development opportunities to further lower the employee turnover rate. During the Reporting Period, the Group's employee turnover rates grouped by gender and age are as follows:





Since the Report covers only the Group's production site in Shenzhen where all employee turnovers occurred, the employee turnover rate was not grouped by geographical region.

Reporting Standards and Scope (Continued)

B. Social (Continued)

B.2 Health and Safety

The Group strictly abides by the *Labour Law of the People's Republic of China*, cares about the physical and mental health of the employees, actively provides them with a safe and comfortable working environment, and encourages them to achieve work-life balance.

The Group has formulated the *Safety Management System* and the *Comprehensive Contingency Plan* to systematically manage production safety and established the *Safe Operation Procedures* based on features of all positions to provide clear guidance for the safety of every production procedure. In addition, the Group has also developed the *Equipment Upkeep and Maintenance Standards*, under which the employees are required to perform daily inspections of the equipment. For the canteen in the Site, the Group regularly conducts careful inspection on the food hygiene and safety of the food provided by our contractors to create a safe and sound dining environment and ensure the food quality for the employees. For the staff accommodation area in the Site, the Group regularly evaluates the hygiene and safety conditions of the dormitory, conducts safety check and replaces indoor supplies in a timely manner, providing a clean and safe living environment for the employees.

The Group adheres to the principle of safety and risk prevention in the production process. The Group has systematically implemented various safety management policies and strives to reduce the risk of accidents in production and operation with a more rigorous attitude. In the past three years, there was neither work-related fatalities nor work-related injury recorded, and the number of working day(s) lost due to work-related injury was 0.

Reporting Standards and Scope (Continued)

B. Social (Continued)

B.3 Development and Training

The Group is committed to continuously improving the quality of its employees and establishing a learning enterprise. The Group provides internal and external training for its employees, covering intermediate and advanced management courses and practical courses such as supply chain management, quality control, research and development innovation, cost reduction and efficiency improvement, performance management and warehouse practices. Meanwhile, the Group reinforces on-the-job training for front-line positions and steps up further to improve inter-departmental skills of all employees through knowledge sharing activities to enhance employees' understanding of corporate culture, strategy, management system, patent and technology, etc. The Group values "training" as the greatest benefit for its employees, and encourages all employees to keep "continuous learning and improving" in mind as part of their daily life. In 2022, all employees of the Group have received one or more job-related training sessions, representing a 100% training rate for the employees categorised by both gender and employment type.

In terms of training hours, the total number of hours of training received by the Group's employees during the Reporting Period was 1,571, representing a year-on-year increase of approximately 30%. The average number of hours of training completed per employee by gender and employee category is as follows:

Gender	Total number of training hours	Number of employees	The average number of training hours
Male	1,350	292	4.63
Female	221	66	3.35

Employment type	Total number of training hours	Number of employees	The average number of training hours
Manager and above	38	38	1
Technical and operational staff	1,533	320	4.79

Reporting Standards and Scope (Continued)

B. Social (Continued)

B.4 Labour Standards

The use of child labour and forced labour violates basic human rights and international labour conventions and poses a threat to sustainable social and economic development. The Group prohibits the use of child labour and forced labour in any workplace, and has developed relevant internal human resources policies and guidelines. During the Reporting Period, the Group strictly complied with the *Law of the People's Republic of China on the Protection of Minors*, and the *Provisions on the Prohibition of Using Child Labour*, and did not employ any child labourers. The employment and dismissal of the Group's employees are handled in accordance with the procedures stipulated by the Human Resources Department, any changes in the working hours and positions of employees during their employment are subject to the consent of the employees. The Group also has an internal monitoring mechanism and accepts reports on irregularities and violations, and will deal with any irregularities in real-time once they are found out. During the Reporting Period, the Group did not use any forced labour.

B.5 Supply Chain Management

The Group enhances the quality of its products and operations through strict supply chain management. The Group has developed a sound management mechanism to engage suppliers, including establishing specific and target-oriented procurement selection standards, and pays attention to the supplier's reputation, product quality, price, and the environmental and social risks along its supply chain. The Group also takes a reference to their past working experience in the use of environmentally preferable products and services when selecting suppliers, and conducts the procurement fairly and openly during selecting, evaluating, and accessing processes. Supplier assessment of the Group covers the capability to deliver products and services, the technical standards of supplied materials, quality assurance capability and the trial of material samples. In terms of some particular materials, we also require suppliers to sign an environmental guarantee agreement to ensure that the materials fulfil the relevant environmental management requirements for substances and the labelling requirements and do not contain any hazardous chemical substances specified by the Group. We implement this practice as a way to identify whether the suppliers have awareness of environmental protection and social risk prevention.

The Group also continuously conducts regular assessments on existing suppliers by comparing their supply prices, delivery conditions, quality of materials, percentage of environmentally friendly products used and services with the prevailing market levels, to ensure the continuous supply of quality products and services at reasonable prices. Many of the Group's departments, including procurement, research and development, quality control and production, are involved in the assessment of relevant suppliers to ensure that the procedures are carried out in an equal, reasonable and transparent manner.

Reporting Standards and Scope (Continued)

B. Social (Continued)

B.5 Supply Chain Management (Continued)

The number of suppliers of the Group by region is as follows:

Region	Number of suppliers
South China	252
North China	0
East China	53
Central China	5
Overseas	7

B.6 Product Responsibility

Adhering to the quality-first philosophy and emphasizing customer experience, the Group is committed to providing customers with a good service experience and high-quality products. In order to ensure product quality and service level, the Group has formulated a series of internal management regulations based on the characteristics of major products, covering such procedures as product design, incoming inspection, product production, finished product inspection, product packaging, shipment, installation, and aftersales service, to meet customer requirements and ensure compliance with relevant local and international standards as well as relevant laws and regulations. The Group has detailed product inspection and control procedures to ensure that the materials and semi-finished and finished products in the production process meet the required quality requirements. The inspection process includes the first piece of inspection, that is: (i) in the case of the first mass production of new products, (ii) the start of production of each batch; and (iii) when there are technical changes in the product structure, the R&D Department or the Production Department will provide the first piece of the product for inspection purposes. In addition, there are also procedures for self-inspection, mutual inspection, and roving inspection among departments, and if any quality problems are found, they will be handled in real-time according to the Unqualified Products Control Procedures. For some items that cannot be inspected by the quality department, the quality department will notify the purchasing department in a timely manner and ask the supplier to attach relevant quality assurance-related certificates with the products. If the sold products are proved to have quality problems, the Group will also arrange for a recall timely. During the Reporting Period, none of the shipped or sold products by the Group was subject to recall for safety or health reasons. During the Reporting Period, the Group received a total of 5 complaints about the products and services. The Group has an after-sales service team to respond to customers' inquiries, feedback, and complaints. All complaints will be specifically recorded in the internal system so that the status and progress of handling complaints can be monitored at any time.

Reporting Standards and Scope (Continued)

B. Social (Continued)

B.6 Product Responsibility (Continued)

The Group has an intellectual property management policy and uses various knowledge databases and patent databases to store information, and has built a list of related structures with corresponding user rights. The intellectual assets of the Group, such as intellectual property and goodwill, are collected, organized, and maintained by the Public Relations Officer. The Group has also formulated stipulations on confidentiality, under which the customer information obtained in the course of business is kept strictly confidential and used in accordance with relevant laws and regulations, and confidentiality clauses are included in customer contracts to prevent the leakage of confidential or private information. All employees of the Group who have access to customer data are subject to the confidentiality agreement.

B.7 Anti-corruption

The Group highly values professional conduct and integrity, and all businesses comply with the *Prevention of Bribery Ordinance* in Hong Kong and relevant laws and regulations related to the prevention of corruption, bribery, extortion, fraud, money laundering, and fraud in Chinese Mainland, such as the *Regulations on the Executives of State-owned Enterprises for Performing Management Duties with Integrity*, the *Anti-Money Laundering Law of the People's Republic of China* and the *Anti-Unfair Competition Law of the People's Republic of China*. The Group also provides annual anti-corruption training to its directors and employees regularly to enhance their awareness of anti-corruption. Employees must report any instances of corruption, bribery, extortion, or money laundering to the Board who will investigate the matter in conjunction with the relevant authorities, depending on the specific incident.

The Group believes that the above measures are necessary for the long-term sustainable development of the Company, and hence can win the trust of the employees, customers, suppliers and shareholders under open standards. During the Reporting Period, there were no corruption lawsuits filed and concluded against the Company or its employees.

Reporting Standards and Scope (Continued)

B. Social (Continued)

B.8 Community Investment

The development of an enterprise is dependent on the harmony and stability of society. The Group, as an enterprise that values social responsibilities, has been actively participating in community engagement, learning the needs of the nearby region, and taking the interests of the community into account in our daily operations to live in harmony with the community. Affected by the COVID-19 pandemic, fewer volunteer activities were carried out during the Reporting Period than in previous years, but the Group still participated in community charity activities as much as possible, including extending warm regards to the front-line staff in the quarantine hotel, participating in traffic safety improvement inspections in the district, visiting enterprises resuming work and production, and other local social activities. During the Reporting Period, the Group endeavoured to assume social responsibilities, making charitable donations of approximately RMB930,000.

Looking to the future, while striving to help improve community wellbeing, the Group will encourage the employees to take part in volunteer activities for the common development of the enterprise and the public welfare of the community.

Grant Thornton
致同

To the members of Sino ICT Holdings Limited
(incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Sino ICT Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 78 to 193, which comprise the consolidated balance sheet as at 31 December 2022, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (Continued)

Key audit matter	How the matter was addressed in our audit
Expected credit losses ("ECL") assessment of trade and bills receivables	
We identified the ECL assessment of trade and bills receivables as a key audit matter due to the significance of the balance to the consolidated financial statements, combined with the significant judgment and management's estimates in evaluating the ECL allowance of the Group's trade and bills receivables at the end of the reporting period. As disclosed in notes 2.14 and 4.1(b) to the consolidated financial statements, the Group recognised an ECL allowance for trade and bills receivables based on lifetime ECL in the current year. In calculating the ECL allowance, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment. As disclosed in note 25 to the consolidated financial statements, the carrying amount of the Group's trade and bills receivables was HK$72,048,000, net of ECL allowance of HK$3,579,000, as at 31 December 2022. The Group recognised a reversal of ECL allowance of HK$7,000 on trade and bills receivables for the current year.	Our audit procedures in relation to the ECL assessment of trade and bills receivables included the followings: • obtained an understanding of the Group's process and control over credit risk assessment and how management estimates the ECL allowance of trade and bills receivables; • assessed the appropriateness of ECL model used by management in calculating the ECL allowance of trade and bills receivables with the assistance from the auditor's expert; • obtained and tested the ageing of trade and bills receivables which is assessed based on provision matrix, reviewed their history of repayment and management's assessment on the financial capability of the debtors and forward-looking information used; • assessed the appropriateness of classification in the provision matrix on a sample basis and the reasonableness of the ECL rates, taking into consideration the historical loss rates and forward-looking information with the assistance from the auditor's expert; and • checked, on a sample basis, the accuracy of the ECL allowance of trade and bills receivables in accordance with the ECL rates applied by the Group.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all the information in the 2022 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Company assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981 and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited
Certified Public Accountants
11th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong SAR

29 March 2023

Lam Wai Ping
Practising Certificate No.: P07826

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue and gain on securities investment	5	231,616	322,981
Cost of sales		(136,626)	(181,152)
Gross profit and gain on securities investment		94,990	141,829
Other income	7	20,664	23,064
Other (losses)/gains, net	8	(3,291)	5,097
Distribution costs		(45,193)	(51,102)
Administrative expenses		(97,228)	(76,351)
Reversal of expected credit losses ("ECL") allowance of trade and bills receivables	25	7	703
Operating (loss)/profit		(30,051)	43,240
Finance income	9	2,550	2,280
Finance costs	9	(7,081)	(10,645)
Finance costs, net	9	(4,531)	(8,365)
Share of results of associates	17(b)	54	2,285
Share of result of a joint venture	17(c)	887	588
Gain on disposal of an associate	17(b)	–	8,668
(Loss)/Profit before income tax	10	(33,641)	46,416
Income tax credit/(expenses)	11	549	(8,134)
(Loss)/Profit for the year		(33,092)	38,282

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Other comprehensive income/(expense) for the year			
Items that will not be reclassified subsequently to profit or loss			
Revaluation of property, plant and equipment upon transfer to investment properties	19	3,614	–
Deferred income tax on revaluation of property, plant and equipment upon transfer to investment properties	33	(903)	–
		2,711	–
Item that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(11,219)	1,093
Other comprehensive (expense)/income for the year, net of tax		(8,508)	1,093
Total comprehensive (expense)/income for the year		(41,600)	39,375
(Loss)/Profit for the year attributable to:			
Owners of the Company		(24,504)	38,282
Non-controlling interests		(8,588)	–
		(33,092)	38,282
Total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		(31,625)	39,375
Non-controlling interests		(9,975)	–
		(41,600)	39,375
		HK cents	HK cents
(Loss)/Earnings per share for (loss)/profit attributable to owners of the Company			
Basic and diluted	12	(1.68)	2.63

CONSOLIDATED BALANCE SHEET

As at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	18	449,446	74,414
Investment properties	19	29,768	26,806
Right-of-use assets	20(a)	35,375	19,939
Intangible assets	21	27,811	23,615
Interests in associates	17(b)	12,735	2,278
Interest in a joint venture	17(c)	9,346	9,167
Financial assets at fair value through profit or loss ("FVTPL")	24	18,765	5,143
Deferred income tax assets	33	3,705	3,575
Trade and other receivables	25	7,054	–
		594,005	164,937
Current assets			
Inventories	22	23,450	48,605
Trade and other receivables	25	266,755	236,922
Financial assets at FVTPL	24	85	689
Cash and cash equivalents	26	273,446	308,462
		563,736	594,678
Total assets		1,157,741	759,615
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	27	145,500	145,500
Share premium		95,240	95,240
Other reserves	28	26,145	33,266
Retained profits		50,079	74,583
Equity attributable to owners of the Company		316,964	348,589
Non-controlling interests		36,553	–
Total equity		353,517	348,589

CONSOLIDATED BALANCE SHEET

As at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current liabilities			
Bank and other borrowings	31	442,290	–
Lease liabilities	20(b)	12,230	1,757
Deferred income	34	783	1,028
Deferred income tax liabilities	33	7,994	7,249
		463,297	10,034
Current liabilities			
Trade and other payables	29	294,017	271,863
Contract liabilities	30	6,177	14,437
Bank and other borrowings	31	28,631	94,982
Lease liabilities	20(b)	9,819	9,388
Income tax payables		2,283	10,322
		340,927	400,992
Total liabilities		804,224	411,026
Total equity and liabilities		1,157,741	759,615
Net current assets		222,809	193,686
Total assets less current liabilities		816,814	358,623

YUAN I-Pei
Director

XIA Yuan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company						
	Share capital HK$'000 (note 27)	Share premium HK$'000	Other reserves HK$'000 (note 28)	(Accumulated losses)/ Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 January 2021	145,500	95,240	610,114	(541,640)	309,214	–	309,214
Repayment of convertible bonds (note 32)	–	–	(577,941)	577,941	–	–	–
Transaction with owners	–	–	(577,941)	577,941	–	–	–
Profit for the year	–	–	–	38,282	38,282	–	38,282
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	–	–	1,093	–	1,093	–	1,093
Total comprehensive income for the year	–	–	1,093	38,282	39,375	–	39,375
As at 31 December 2021 and 1 January 2022	145,500	95,240	33,266	74,583	348,589	–	348,589
Establishment of non-wholly owned subsidiaries	–	–	–	–	–	46,528	46,528
Transactions with owners	–	–	–	–	–	46,528	46,528
Loss for the year	–	–	–	(24,504)	(24,504)	(8,588)	(33,092)
Other comprehensive income/(expense) for the year:							
Revaluation of property, plant and equipment upon transfer to investment properties (note 19)	–	–	3,614	–	3,614	–	3,614
Deferred income tax on revaluation of property, plant and equipment upon transfer to investment properties (note 33)	–	–	(903)	–	(903)	–	(903)
Exchange differences on translation of foreign operations	–	–	(9,832)	–	(9,832)	(1,387)	(11,219)
Total comprehensive expense for the year	–	–	(7,121)	(24,504)	(31,625)	(9,975)	(41,600)
As at 31 December 2022	145,500	95,240	26,145	50,079	316,964	36,553	353,517

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	35(a)	(74,491)	121,554
Interest received		2,550	2,280
Interest paid		(5,091)	(5,212)
Purchase of tax reserve certificate	25	(1,807)	–
Income tax paid		(7,220)	(5,072)
Net cash (used in)/from operating activities		(86,059)	113,550
Cash flows from investing activities			
Purchase of property, plant and equipment		(273,577)	(3,392)
Prepayment for purchase of property, plant and equipment		(2,825)	–
Purchase of intangible assets	21	(5,427)	(2,723)
Purchase of leasehold land included in right-of-use assets	20(a)	(6,631)	–
Proceeds from disposal of property, plant and equipment		143	30
Acquisition of unlisted equity securities	4.3(a)	(13,566)	–
Contributions from non-controlling interests		2,382	–
Net proceeds from disposal of an associate	17(b)	–	251,305
Acquisition of an associate	17(b)	(8,475)	–
Capital contribution to an associate	17(b)	(1,650)	–
Capital contribution to a joint venture	17(c)	–	(8,579)
Net cash (used in)/from investing activities		(309,626)	236,641

	Notes	2022 HK$'000	2021 HK$'000
Cash flows from financing activities			
New bank and other borrowings raised	35(b)	**520,116**	–
Repayment of bank and other borrowings	35(b)	**(135,216)**	(1,920)
Repayment of convertible bonds	32, 35(b)	**–**	(148,000)
Repayment to lease liabilities	35(b)	**(9,381)**	(11,441)
Net cash from/(used in) financing activities		**375,519**	(161,361)
Net (decrease)/increase in cash and cash equivalents		**(20,166)**	188,830
Cash and cash equivalents as at 1 January		**308,462**	116,609
Effect of foreign exchange rate changes		**(14,850)**	3,023
Cash and cash equivalents as at 31 December	26	**273,446**	308,462

1. GENERAL INFORMATION

Sino ICT Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its address of the principal place of business is Unit 02-03, 69/F, International Commerce Centre, 1 Austin Road West, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In the opinion of the directors of the Company, the immediate holding company of the Company is Sino Xin Ding Limited, a company incorporated in Hong Kong, and the ultimate holding company of the Company is UNIC Capital Management Co., Ltd. (中青芯鑫(蘇州工業園區)資產管理有限責任公司) ("UNIC Capital Management"), a company established in the People's Republic of China (the "PRC").

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in (i) Surface Mount Technology ("SMT") equipment manufacturing; (ii) securities investment; (iii) Energy Storage Business; and (iv) Radar Business. The principal activities of the subsidiaries of the Company are set out in note 17(a).

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated.

In these consolidated financial statements, certain English name of the companies referred herein represent management's best effort to translate the Chinese name of the companies as no English name has been registered.

The consolidated financial statements for the year ended 31 December 2022 were approved for issue by the board of directors of the Company on 29 March 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the accounting principles generally accepted in Hong Kong.

These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new and amended HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 2.1 below.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial assets at FVTPL which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Adoption of new and amended HKFRSs

Amended HKFRSs that are effective for annual periods beginning on 1 January 2022

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination

The adoption of the amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Adoption of new and amended HKFRSs (Continued)

Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective for the current period, and have not been adopted early by the Group.

HKFRS 17	Insurance Contracts and related amendments[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 Effective date not yet determined

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. The new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on sales of intra-group asset are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income or expense for the year between non-controlling interests and the owners of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation (Continued)

In the Company's balance sheet, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the end of the reporting period. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.3 Associates and joint ventures

An associate is an entity over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions relating about relevant activities require the unanimous consent of the parties sharing control.

In consolidated financial statements, an investment in an associate or a joint venture is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate or joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Associates and joint ventures (Continued)

Under the equity method, the Group's interest in the associate or joint venture is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate or joint venture's net assets less any identified impairment loss. The profit or loss for the year includes the Group's share of the post-acquisition, post-tax results of the associate or joint venture for the year, including any impairment loss on the investment in associate or joint venture recognised for the year. The Group's other comprehensive income for the year includes its share of the associate or joint venture's other comprehensive income for the year.

Unrealised gains on transactions between the Group and its associate and joint venture are eliminated to the extent of the Group's interest in the associates or joint venture. Where unrealised losses on assets sales between the Group and its associate or joint venture are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate or joint venture uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate or joint venture's accounting policies to those of the Group when the associate or joint venture's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. For this purpose, the Group's interest in the associate or joint venture is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or joint venture.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate or joint venture. At the end of each reporting period, the Group determines whether there is any objective evidence that the investment in associate or joint venture is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (i.e. higher of value in use and fair value less costs of disposal) of the associate or joint venture and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including cash flows arising from the operations of the associate or joint venture and the proceeds on ultimate disposal of the investment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Associates and joint ventures (Continued)

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate or joint control over a joint venture. If the retained interest in that former associate or joint venture is a financial asset, the retained interest is measured at fair value, which is regarded as its fair value on initial recognition as a financial asset in accordance with HKFRS 9 "Financial Instruments". The difference between (i) the fair value of any retained interest and any proceeds from disposing of partial interest in the associate or joint venture; and (ii) the carrying amount of the investment at the date the equity method was discontinued, is recognised in profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would have been required if the associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by the investee would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

2.4 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the CODM are determined following the Group's major product and service lines.

The Group has identified the following reporting segments:

- Production and sales of industrial products – manufacturing and sales of SMT equipment;
- Securities investment – investment in listed equity securities;
- Energy storage business – development, building and operation of energy storage power stations in PRC; and
- Radar business – manufacture of advanced domestic radar hardware and development, application and system integration of radar intelligent software.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Segment reporting (Continued)

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement polices the Group used for reporting segment results under HKFRS 8 "Operating Segments" are the same as those used in its financial statements prepared under HKFRSs, except that the following items are not included in arriving at the operating results of the reporting segment:

- share of results of associates and a joint venture;
- gain on disposal of an associate;
- income tax expenses; and
- corporate income and expenses which are not directly attributable to the business activities of any reporting segment.

Segment assets include all assets other than (i) certain property, plant and equipment, certain right-of-use assets, certain other receivables and certain cash and cash equivalents which are for administrative purpose; (ii) interests in associates; (iii) interest in a joint venture; and (iv) financial assets at FVTPL classified under non-current assets are not allocated to any reporting segment.

Segment liabilities includes all liabilities other than certain lease liabilities, certain income tax payables and certain other payables which are for administrative purpose are not allocated to any reporting segment.

No asymmetrical allocations have been applied to reportable segments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation

The consolidated financial statements are presented in HK$, which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the end of the reporting period retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date). When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the end of the reporting period. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this translation have been recognised in other comprehensive income and accumulated separately in the foreign currency translation reserve in equity.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a joint venture that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment

Property, plant and equipment (other than construction in progress as described below and cost of right-of-use assets as described in note 2.10) are initially recognised at acquisition cost and/or manufacturing cost (including any cost directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Group's management, including costs of testing whether the related assets are functioning properly). They are subsequently stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method, as follows:

Properties	21-50 years
Machinery and equipment	5-10 years
Furniture, fixtures and property decoration	5-10 years
Computer software	3-10 years
Motor vehicles	3-10 years

Accounting policy for depreciation of right-of-use assets is set out in note 2.10.

Estimates of residual value and useful life are reviewed, and adjusted if appropriate, at the end of each reporting period.

Items were produced while bringing that property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. Income and related costs from selling any such item are recognised as profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment (Continued)

Gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

2.7 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2.10) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

On initial recognition, investment property is measured at cost, and subsequently at fair value, unless fair value cannot be reliably determined at that time.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised at the end of the reporting period reflect the prevailing market conditions at the end of the reporting period.

If an owner-occupied property becomes an investment property that will be carried at fair value, the Group applies HKAS 16 "Property, plant and equipment" for owned property or HKFRS 16 "Leases" for property held by a lessee as a right-of-use asset up to the date of change in use. Any difference at that date between the carrying amount of the property in accordance with HKAS 16 or HKFRS 16 and the fair value is accounted for in the same way as a revaluation in accordance with HKAS 16.

Gains or losses arising from either change in the fair value or the sale of an investment property are included in "other gains, net" in the period in which they arise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Prepaid lease payments

Prepaid lease payments (which meet the definition of right-of-use assets and classified as right-of-use assets) represent the upfront payments for long-term land lease in which the payments can be reliably measured. It is stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on a straight-line method to write off the upfront payments over the lease terms of fifty years.

2.9 Intangible assets

Research and development costs

Costs associated with research activities are expenses in profit or loss as they incur. Costs that are directly attributable to development activities are recognised as intangible assets provided they meet all of the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development activities along with an appropriate portion of relevant overheads. The costs of development of internally generated software, products or knowhow that meet the above recognition criteria are recognised as intangible assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Intangible assets (Continued)

Research and development costs (Continued)

They are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The following useful lives are applied:

Development costs	10 years

All other development costs are expensed as incurred.

The assets' amortisation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets, with finite useful lives, are tested for impairment as described below in note 2.12.

2.10 Leases

Definition of a lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Leases (Continued)

Definition of a lease and the Group as a lessee (Continued)

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Leases (Continued)

Definition of a lease and the Group as a lessee (Continued)

Measurement and recognition of leases as a lessee (Continued)

The Group remeasures lease liabilities whenever:

- there are changes in lease term or in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments changes, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

For lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less.

Refundable rental deposits paid are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Leases (Continued)

The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Group subleases certain buildings included in right-of-use assets and the sublease contracts are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-leases as two separate contracts. The sub-leases are classified as a finance or operating lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If the head lease is a short-term lease to which the Group applies the short-term lease exemption, then the Group classifies the sub-lease as an operating lease.

The Group also earns rental income from operating leases of its investment properties and right-of-use assets. Rental income is recognised on a straight-line basis over the term of the lease.

Sale and leaseback transactions

<u>The Group as a seller-lessee</u>

For a transfer that does not satisfy requirements as a sale in accordance with HKFRS 15 "Revenue from Contracts with Customers", the transaction is in substance a financing arrangement under HKFRS 9. Therefore, the Group as a seller-lessee accounts for the proceeds received as "other borrowings" within the scope of HKFRS 9.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.12 Impairment of non-financial assets

The following assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable:

- Property, plant and equipment;
- Right-of-use assets;
- Intangible assets; and
- The Company's investments in subsidiaries.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Impairment of non-financial assets (Continued)

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Corporate assets are allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Impairment losses recognised for cash-generating units is charged pro rata to the assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.13 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Financial instruments (Continued)

Financial assets

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15, all financial assets are initially measured at fair value, in case of a financial asset not at FVTPL, plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets are classified into the following categories:

- amortised cost;
- FVTPL; or
- fair value through other comprehensive income ("FVTOCI").

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for the ECL of trade, bills and other receivables which is presented as a separate item in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Financial instruments (Continued)

Financial assets (Continued)

Subsequent measurement of financial assets

Debt investments – Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in finance income in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's trade, bills and other receivables and cash and cash equivalents fall into this category of financial instruments.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment, the Group elects to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve – non-recycling in equity. Such elections are made on an instrument-by-instrument basis, but only be made if the investment meets the definition of equity from the issuer's perspective.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the other income in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Financial instruments (Continued)

Financial liabilities

Classification and measurement of financial liabilities

The Group's financial liabilities include trade and other payables, bank and other borrowings and leases liabilities.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs.

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in finance costs or finance income.

Accounting policies of lease liabilities are set out in note 2.10.

Bank and other borrowings

Bank and other borrowings are recognised initially at fair value, net of transaction costs incurred. Bank and other borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the bank and other borrowings using the effective interest method.

Bank and other borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Impairment of financial assets

HKFRS 9's impairment requirements use forward-looking information to recognise ECL – the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortised cost and trade receivables recognised and measured under HKFRS 15.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1"); and

- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the end of the reporting period.

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Impairment of financial assets (Continued)

Trade and bills receivables

For trade and bills receivables, the Group applies a simplified approach in calculating ECL and recognises an ECL allowance based on lifetime ECL at the end of each reporting period. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, trade and bills receivables have been grouped based on common credit risk characteristics and the days past due.

Other financial assets measured at amortised cost

The Group measures the ECL allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood of risk of default occurring since initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Impairment of financial assets (Continued)

Other financial assets measured at amortised cost (Continued)

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the end of the reporting period with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in regulatory, business, financial, economic conditions, or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and
- an actual or expected significant deterioration in the operating results of the debtor.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Impairment of financial assets (Continued)

Other financial assets measured at amortised cost (Continued)

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

For internal credit risk management, the Group considers an event of default occurs when (i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group); or (ii) the financial asset is 90 days past due.

Detailed analysis of the ECL assessment of trade and bills receivables and other financial assets measured at amortised cost are set out in note 4.1(b).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is calculated by using weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overhead (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

2.16 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.17 Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

2.18 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Revenue recognition

Revenue mainly arises from the production and sales of industrial products.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Revenue recognition (Continued)

Further details of the Group's revenue and other income recognition policies are as follows:

Production and sales of industrial products

The Group manufactures and sells a series of industrial products. When control of product has been transferred, that is when the entity of the Group has delivered the goods to the customer, the Group confirms the revenue if there are no unfulfilled obligations that may affect the customer's acceptance of the product. Delivery conditions are not satisfied until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and the customer has accepted the products in accordance with the sales contract, the acceptance provisions have expired, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Securities investment income

Gains or losses arising from disposal of and changes in the fair value of the listed equity securities are presented under "revenue and gain on securities investment" of the year in accordance with HKFRS 9.

Rental income

Accounting policies for rental income are set out in note 2.10.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Revenue recognition (Continued)

Interest income

Interest income shown in "finance income" is recognised on a time proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

Agency fee income and income from provision of administrative services

Agency fee income and income from provision of administrative services are recognised at the date of the transfer of control of the goods or services to customer and the customer has present obligation to pay.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Government grants

Grants from the government are recognised at their fair values where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to purchase of assets are included in non-current liabilities as deferred income in the consolidated balance sheet and are recognised in profit or loss on a straight-line basis over the expected lives of the related assets.

Government grants relating to income is presented in gross under "other income" in the consolidated statement of comprehensive income.

2.21 Borrowing costs

The borrowing costs are expensed when incurred.

2.22 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance (the "MPF Scheme"), for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of the payroll costs to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Employee benefits (Continued)

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.23 Accounting for income taxes

Income tax comprises current income tax and deferred income tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current income tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred income tax is calculated using the liability method on temporary differences at the end of the reporting period between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred income tax liabilities are generally recognised for all taxable temporary differences. Deferred income tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Accounting for income taxes (Continued)

Deferred income tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred income tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

For investment property measured using the fair value model in accordance with the accounting policy above, the measurement of the related deferred income tax liability or asset reflects the tax consequences of recovering the carrying amount of the investment property entirely through sale, unless the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Deferred income tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the end of the reporting period.

Changes in deferred income tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

When different tax rates apply to different levels of taxable income, deferred income tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the periods in which the temporary differences are expected to reverse.

The determination of the average tax rates requires an estimation of (i) when the existing temporary differences will reverse; and (ii) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

- income or loss excluding reversals of temporary differences; and

- reversals of existing temporary differences.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Accounting for income taxes (Continued)

Current income tax assets and current income tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred income tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current income tax assets against current income tax liabilities; and

(b) the deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current income tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred income tax liabilities or assets are expected to be settled or recovered.

2.24 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Related parties (Continued)

(b) the party is an entity and if any of the following conditions applies:

(i) the entity and the Group are members of the same group.

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) the entity and the Group are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Estimation uncertainties

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within next financial year are addressed below.

Estimation of impairment of property, plant and equipment, right-of-use assets and intangible assets

Property, plant and equipment, right-of-use assets and intangible assets are stated at costs less accumulated depreciation/amortisation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying amount of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belong.

The future cash flow is estimated based on past performance and expectation for market development. As the current environment is uncertain, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainty. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 December 2022, the carrying amounts of property, plant and equipment, right-of-use assets and intangible assets were HK$449,446,000 (2021: HK$74,414,000), HK$35,375,000 (2021: HK$19,939,000) and HK$27,811,000 (2021: HK$23,615,000), respectively. No impairment loss has been recognised for the years ended 31 December 2022 and 2021.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

3.1 Estimation uncertainties (Continued)

Estimated useful life of property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, management of the Group reviews the estimated useful lives of property, plant and equipment, right-of-use assets and intangible assets with finite useful life. The determination of the useful lives and residual values involve management's estimation of the expected usage of each category of property, plant and equipment, right-of-use assets and intangible assets with finite useful life and the industry practice. Management of the Group assesses the useful lives and residual values annually and if the expectation differs from original estimates, such differences may impact the depreciation/amortisation in the future year.

As at 31 December 2022, the carrying amounts of property, plant and equipment, right-of-use assets and intangible assets with finite useful life were HK$449,446,000 (2021: HK$74,414,000), HK$35,375,000 (2021: HK$19,939,000) and HK$27,811,000 (2021: HK$23,615,000), respectively. There were no changes in the useful lives and residual value of the property, plant and equipment, right-of-use assets and intangible assets with finite useful life during the years ended 31 December 2022 and 2021.

Estimation of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar property in the same location and condition and subject to the same lease or other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making this estimates, the Group, with reference to the valuation performed by an independent qualified professional valuer, considers market information of the construction costs of comparable properties.

As at 31 December 2022, the carrying amount of the Group's investment properties carried at fair value was HK$29,768,000 (2021: HK$26,806,000). Gain on fair value changes of investment properties of HK$560,000 (2021: loss of HK$960,000) was recognised in profit or loss during the year. Details of the fair value measurement of the Group's investment properties are disclosed in note 19.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

3.1 Estimation uncertainties (Continued)

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses. These estimates are made based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitors' actions in response to adverse market condition. Management of the Group reassesses the estimations at the end of each reporting period to ensure inventories are stated at the lower of cost and net realisable value.

As at 31 December 2022, the carrying amount of inventories was HK$23,450,000, net of provision for inventories of HK$710,000 (2021: HK$48,605,000, net of provision for inventories of HK$1,072,000). Net reversal of write-down of inventories of HK$282,000 (2021: HK$157,000) has been recognised in profit or loss during the year.

ECL assessment of trade and bills receivables

The Group makes ECL allowance on trade and bills receivables based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period as set out in note 2.14.

When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade and bills receivables within the scope of ECL under HKFRS 9 and credit losses in the periods in which such estimate has been changed.

As at 31 December 2022, the carrying amount of trade and bills receivables was HK$72,048,000, net of ECL allowance of HK$3,579,000 (2021: HK$65,532,000, net of ECL allowance of HK$5,138,000). The Group recognised a reversal of ECL allowance of HK$7,000 (2021: HK$703,000) on trade and bills receivables for the current year.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

3.2 Critical accounting judgments

Development cost capitalisation

When the recognition standard in accordance with note 2.9 are met, the development costs are capitalised as intangible assets. Based on the historical experience of existing products and market prospects, management of the Group determines whether the research and development will bring future economic benefits to the Group through professional judgments. Any significant changes in market performance and technology development will affect the capitalisation of development costs.

Joint control over Huxin (Shanghai) Industrial Co., Ltd. (滬芯(上海)實業有限公司) ("Huxin Industrial")

As at 31 December 2022 and 2021, the Group holds 29.58% equity interest in Huxin Industrial. In accordance with the Articles of Association of Huxin Industrial, the board of directors comprises of four directors, in which each director is appointed by respective shareholder and unanimous consent of the directors and shareholders is required for any resolution to be passed.

Huxin Industrial is a limited liability company which provides the Group and other shareholders with rights to the net assets of Huxin Industrial. Therefore, Huxin Industrial is classified as a joint venture of the Group, and the details of which are set out in note 17(c).

Income taxes

The Group is subject to income taxes in jurisdictions in which the Group operates. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

4. FINANCIAL RISK MANAGEMENT, CAPITAL MANAGEMENT AND FAIR VALUE MEASUREMENTS

4.1 Financial risk management

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is conducted by senior management of the Group and approved by the board of directors of the Company.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

(a) Market risk

Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates in the PRC and Hong Kong, and the primary foreign currency risk arises from financial instruments denominated in currencies other than the functional currency of the Company and its respective subsidiaries. The functional currency of the Group's subsidiaries in the PRC is Renminbi ("RMB"), and the functional currency of the Company and the Group's subsidiaries in Hong Kong and other regions is HK$.

Currently, there are no hedging policies for the Group on transactions, assets and liabilities denominated in foreign currencies. The Group closely monitors and controls foreign currency risk and considers engaging in hedging activities if there is significant foreign currency risk.

4. FINANCIAL RISK MANAGEMENT, CAPITAL MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk management (Continued)

(a) Market risk (Continued)

Foreign currency risk (Continued)

The financial assets denominated in foreign currencies, translated into HK$ at the closing rates, are as follows:

	RMB HK$'000	United States dollars ("US$") HK$'000	Others HK$'000
2022			
Cash and cash equivalents	**49,708**	**2,828**	**18**
2021			
Cash and cash equivalents	175,726	5,250	19

The Group is mainly exposed to the effects of fluctuation in RMB. It excludes items denominated in US$ held by the group entities with HK$ as functional currency as the directors of the Company consider that the Group's exposure to US$ for such entities is insignificant on the ground that HK$ is pegged to US$.

4. FINANCIAL RISK MANAGEMENT, CAPITAL MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk management (Continued)

(a) Market risk (Continued)

Foreign currency risk (Continued)

The following tables illustrate the sensitivity of the Group's (loss)/profit for the year and equity in regards to an appreciation in the group entities' functional currencies against RMB. These sensitivity rates are the rates used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

	Sensitivity rate	Increase in loss for the year HK$'000	Decrease in equity HK$'000
2022			
RMB	**5%**	**2,485**	**2,485**
2021			
RMB	5%	8,786	8,786

The same % depreciation in the group entities' functional currencies against RMB would have the same magnitude on the Group's (loss)/profit for the year and equity but of opposite effect.

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nevertheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

4. FINANCIAL RISK MANAGEMENT, CAPITAL MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk management (Continued)

(a) Market risk (Continued)

Price risk

Price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates). The Group is exposed to price risk because of change in market price from the listed equity securities held by the Group. To manage its price risk arising from investments in listed equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group's investments in listed equity securities are stocks publicly traded in the stock market. As at 31 December 2022 and 2021, the listed equity securities of the Group consist of stocks that are traded in the Stock Exchange. Therefore, the Group's (loss)/profit for the year would be affected by the change of the share price of the listed equity securities held by the Group.

4. FINANCIAL RISK MANAGEMENT, CAPITAL MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk management (Continued)

(a) Market risk (Continued)

Price risk (Continued)

The following table demonstrates the Group's sensitivity to a 5% change in the share price of the listed equity securities, with all other variables held constant, based on their carrying amounts at the end of the reporting period.

	Increase/ (Decrease) in share price	(Decrease)/ Increase in loss for the year 2022 HK$'000	Increase/ (Decrease) in profit for the year 2021 HK$'000
Financial assets at FVTPL			
– Listed equity securities	5%	(4)	29
	(5%)	4	(29)

Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank and other borrowings and lease liabilities. Bank and other borrowings and lease liabilities bear variable rates expose the Group to cash flow interest rate risk. It is the Group's policy to keep its bank and other borrowings and lease liabilities at variable rate of interests so as to minimise the fair value interest rate risk.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of loan prime rate ("Loan Prime Rate") published by the National Interbank Funding Centre in the PRC arising from the Group's RMB denominated bank and other borrowings and lease liabilities.

4. FINANCIAL RISK MANAGEMENT, CAPITAL MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk management (Continued)

(a) Market risk (Continued)

Interest rate risk (Continued)

The sensitivity analysis is prepared assuming the bank and other borrowings and lease liabilities with variable interest rate outstanding at the end of the reporting period were outstanding for the whole year.

A 50 basis point increase/decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The following table details the sensitivity of the Group's (loss)/profit for the year and equity to a 50 basis point in the interest rates, with all other variables held constant, based on their carrying amounts at the end of the reporting period.

	2022		2021	
	Increase/ (Decrease) in loss for the year HK$'000	(Decrease)/ Increase in equity HK$'000	(Decrease)/ Increase in profit for the year HK$'000	(Decrease)/ Increase in equity HK$'000
Interest rate				
– Increase by 50 basis point	2,243	(2,243)	(404)	(404)
– Decrease by 50 basis point	(2,243)	2,243	404	404

4. FINANCIAL RISK MANAGEMENT, CAPITAL MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk management (Continued)

(b) *Credit risk*

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities.

The Group's maximum exposure to credit risk for the components of the consolidated balance sheet as at 31 December 2022 and 2021 is the carrying amount of the financial assets as disclosed in note 23.

Trade and bills receivables

The Group's policy is to deal only with credit worthy counterparties. Credit terms are granted to new customers after a credit worthiness assessment by the Group. Payment record of customers is closely monitored. It is not the Group's policy to request collateral from its customers.

In addition, as set out in note 2.14, the Group assesses ECL allowance under HKFRS 9 on trade and bills receivables based on provision matrix, the ECL rates are based on the payment profile for sales in the past 36 months as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forward-looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. At the end of each reporting period, the historical default rates are updated and changes in the forward-looking estimates are analysed.

Trade and bills receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments after the credit period from the invoice date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

The Group's concentration of credit risk by geographical location is located in the PRC in majority as at 31 December 2022 and 2021.

4. FINANCIAL RISK MANAGEMENT, CAPITAL MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk management (Continued)

(b) Credit risk (Continued)

The Group has significant exposure to individual customers. At the end of the reporting period, 28% (2021: 5%) and 38% (2021: 19%) of the carrying amount of trade and bills receivables were due from the Group's largest customer and top 5 customers respectively.

On the above basis, the ECL allowance of trade and bills receivables as at 31 December 2022 and 2021 was determined as follows:

	2022			2021		
	ECL rate HK$'000	Gross amount HK$'000	ECL allowance HK$'000	ECL rate HK$'000	Gross amount HK$'000	ECL allowance HK$'000
Current	0.1%	45,589	28	0.4%	34,807	133
Overdue for 1 year or less	2.3%	26,994	619	0.9%	31,128	270
Overdue for 1 year to 2 years	45.4%	205	93	100%	372	372
Overdue more than 2 years	100%	2,839	2,839	100%	4,363	4,363
		75,627	3,579		70,670	5,138

Other receivables (including amounts due from a non-controlling shareholder and Sino IC Leasing Co., Ltd. (芯鑫融資租賃有限責任公司) ("Sino IC Leasing") and receivables from agency services)

Management is of opinion that there is no significant increase in credit risk on these other receivables (including amounts due from a non-controlling shareholder and Sino IC Leasing and receivables from agency services) since initial recognition as the risk of default is low after considering the factors as set out in note 2.14 and, thus, ECL allowance recognised is based on 12-month ECL. As at 31 December 2022 and 2021, the ECL rate applied for these balances is insignificant.

4. FINANCIAL RISK MANAGEMENT, CAPITAL MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk management (Continued)

(b) Credit risk (Continued)

Cash and cash equivalents

The credit risks on cash and cash equivalents are considered to be insignificant because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

(c) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The Group manages the liquidity risk through holding of sufficient cash and bank balances. The Group further mitigates the liquidity risk by maintaining cash reserve and utilising bank financing. The directors of the Company consider the Group is not exposed to significant liquidity risk.

4. FINANCIAL RISK MANAGEMENT, CAPITAL MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The tables below analyse the Group's remaining contractual maturities for its financial liabilities as at 31 December 2022. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay. The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

	Within 1 year or on demand HK$'000	1 to 5 years HK$'000	Total undiscounted amount HK$'000	Carrying amount HK$'000
2022				
Trade and other payables	**262,333**	**–**	**262,333**	**262,333**
Bank and other borrowings	**53,367**	**501,944**	**555,311**	**470,921**
Lease liabilities	**10,213**	**12,687**	**22,900**	**22,049**
	325,913	**514,631**	**840,544**	**755,303**
2021				
Trade and other payables	252,356	–	252,356	252,356
Bank and other borrowings	96,135	–	96,135	94,982
Lease liabilities	9,661	1,847	11,508	11,145
	358,152	1,847	359,999	358,483

4. FINANCIAL RISK MANAGEMENT, CAPITAL MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly review its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the gearing ratio. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The gearing ratio were as follows:

	2022 HK$'000	2021 HK$'000
Total liabilities	**804,224**	411,026
Total assets	**1,157,741**	759,615
Gearing ratio	**69.46%**	54.11%

4.3 Fair value measurements of financial instruments

The tables below analyse the Group's financial instruments carried at fair value as at 31 December 2022 and 2021 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels are defined based on the observability and significance of inputs to the measurement:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs

Level 3: significant unobservable inputs for the asset or liability

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

4. FINANCIAL RISK MANAGEMENT, CAPITAL MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.3 Fair value measurements of financial instruments (Continued)

(a) *Financial instruments measured at fair value*

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
2022				
Financial assets				
Financial assets at FVTPL				
– Listed equity securities	85	–	–	85
– Unlisted equity securities	–	13,566	5,199	18,765
	85	13,566	5,199	18,850
2021				
Financial assets				
Financial assets at FVTPL				
– Listed equity securities	689	–	–	689
– Unlisted equity securities	–	–	5,143	5,143
	689	–	5,143	5,832

There were no transfers between Levels 1, 2 and 3 during the years ended 31 December 2022 and 2021.

4. FINANCIAL RISK MANAGEMENT, CAPITAL MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.3 Fair value measurements of financial instruments (Continued)

(a) Financial instruments measured at fair value (Continued)

The fair value of unlisted equity securities categorised under Level 3 fair value hierarchy is set out below:

	2022 HK$'000	2021 HK$'000	Valuation technique	Significant unobservable input	Range (Weighted average) 2022	2021
Unlisted equity securities 0.2134% equity interest in Sino IC Leasing (Shenzhen) Co., Ltd. (芯鑫融資租賃(深圳)有限責任公司) ("Sino IC Leasing Shenzhen")	5,199	5,143	Market approach	Price-to-book ratio (2021: Earnings multiple)	1.10 times	59 times
				Discount on lack of marketability	11.4%	30%

During the year ended 31 December 2022, the Group has changed the valuation technique from earnings multiple to price-to-book ratio under the market approach in fair value valuation of unlisted equity securities of Sino IC Leasing Shenzhen in order to better reflect the fair value generated from the principal business of Sino IC Leasing Shenzhen. The directors of the Company believe that the adoption of price-to-book ratio as at 31 December 2021 would not have significant changes on its fair value.

The most significant inputs, all of which are unobservable, are price-to-book ratio (2021: earnings multiple) and discount on lack of marketability. The estimated fair value increases if the price-to-book ratio (2021: earnings multiple) increases and the discount on lack of marketability decreases, or vice versa. The valuation is sensitive to these assumptions. Management of the Group considers the range of reasonably possible alternative assumptions is greatest for price-to-book ratio (2021: earnings multiple).

4. FINANCIAL RISK MANAGEMENT, CAPITAL MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.3 Fair value measurements of financial instruments (Continued)

(a) Financial instruments measured at fair value (Continued)

The reconciliation of the carrying amount of the Group's unlisted equity securities classified within Level 3 of the fair value hierarchy is as follows:

	2022 HK$'000	2021 HK$'000
As at 1 January	5,143	–
Retained investment through disposal of an associate (note 17(b))	–	5,054
Fair value gain recognised in profit or loss (note 8)	56	89
As at 31 December	5,199	5,143

(b) Financial instruments that are not measured at fair value on a recurring basis

As at 31 December 2022 and 2021, the carrying amounts of other financial assets and liabilities carried at amortised cost in the consolidated financial statements approximate their fair values.

5. REVENUE AND GAIN ON SECURITIES INVESTMENT

The Group's principal activities are disclosed in note 1 to the consolidated financial statements.

The Group's revenue recognised during the year is as follows:

	2022 HK$'000	2021 HK$'000
Revenue from contacts with customers		
Production and sales of industrial products	**231,140**	308,837
Revenue from other sources		
Realised and unrealised gain on listed equity securities	**476**	14,144
	231,616	322,981
Timing of revenue recognition		
At a point in time	**231,140**	308,837
Geographical markets		
The PRC, excluding Hong Kong	**227,265**	304,418
Hong Kong of the PRC	**3,875**	4,419
	231,140	308,837

6. SEGMENT INFORMATION

The CODM has identified the operating segments around differences in products and services as further described in note 2.4.

During the year ended 31 December 2022, the Group commenced two new operating and reporting segments, namely (i) energy storage business, as a result of the commencement of its business of develop, build and operate energy storage power stations in the PRC ("Energy Storage Business"); and (ii) radar business, as a result of the commencement of its business of the manufacture of advanced domestic radar hardware and intelligent software development, application and system integration of radar ("Radar Business"). Details of the radar business are set out in the Company's announcement dated 17 November 2022.

6. SEGMENT INFORMATION (Continued)

The segment information for the year ended 31 December 2022 is presented as follows:

	Production and sales of industrial products HK$'000	Securities investment HK$'000	Energy storage business HK$'000	Radar business HK$'000	Unallocated HK$'000	Total HK$'000
Year ended 31 December 2022						
Reportable segment revenue						
Revenue from external customers	231,140	476	–	–	–	231,616
Segment gross profit	94,514	476	–	–	–	94,990
Other income	15,679	–	14	–	4,971	20,664
Other gains/(losses), net	7,491	–	–	(1)	(10,781)	(3,291)
Distribution costs	(45,193)	–	–	–	–	(45,193)
Administrative expenses	(61,862)	(7)	(9,697)	(9,320)	(16,342)	(97,228)
Reversal of ECL allowance of trade and bills receivables	7	–	–	–	–	7
Finance income	959	1	129	78	1,383	2,550
Finance costs	(4,419)	–	(2,082)	(72)	(508)	(7,081)
Share of results of associates	–	–	–	–	54	54
Share of result of a joint venture	–	–	–	–	887	887
Profit/(Loss) before income tax	7,176	470	(11,636)	(9,315)	(20,336)	(33,641)
Reportable segment profit/results						
Depreciation and amortisation	12,668	–	3,101	1,798	3,213	20,780
Write-down of inventories	430	–	–	–	–	430
Reversal of write-down of inventories	(712)	–	–	–	–	(712)
Government grants	(3,341)	–	(3)	–	(264)	(3,608)
Unrealised gain on unlisted equity securities	–	–	–	–	(56)	(56)
Gain on fair value changes in investment properties	(560)	–	–	–	–	(560)
Gain on disposal of property, plant and equipment	(32)	–	–	–	–	(32)
Loss on early termination of leases	199	–	–	–	–	199
Research and development expenses	23,338	–	–	108	–	23,446
Income tax (credit)/expenses	(2,554)	2,005	–	–	–	(549)

6. SEGMENT INFORMATION (Continued)

	Production and sales of industrial products HK$'000	Securities investment HK$'000	Energy storage business HK$'000	Radar business HK$'000	Unallocated HK$'000	Total HK$'000
As at 31 December 2022						
Reporting segment assets	596,453	4,413	404,943	34,819	117,113	1,157,741
Interests in associates	–	–	–	–	12,735	12,735
Interest in a joint venture	–	–	–	–	9,346	9,346
Additions to non-current segment assets (other than financial instruments and deferred income tax assets) during the year	6,012	–	377,235	31,646	840	415,733
Reporting segment liabilities	454,865	40	322,163	5,618	21,538	804,224

6. SEGMENT INFORMATION (Continued)

	Production and sales of industrial products HK$'000	Securities investment HK$'000	Unallocated HK$'000	Total HK$'000
Year ended 31 December 2021				
Reportable segment revenue				
Revenue from external customers	308,837	14,144	–	322,981
Segment gross profit	127,861	13,968	–	141,829
Other income	18,690	–	4,374	23,064
Other gains, net	2,458	–	2,639	5,097
Distribution costs	(51,102)	–	–	(51,102)
Administrative expenses	(60,728)	(11,114)	(4,509)	(76,351)
Reversal of ECL allowance of trade and bills receivables	703	–	–	703
Finance income	1,694	–	586	2,280
Finance costs	(4,586)	–	(6,059)	(10,645)
Share of results of associates	–	–	2,285	2,285
Share of result of a joint venture	–	–	588	588
Gain on disposal of an associate	–	–	8,668	8,668
Profit before income tax	34,990	2,854	8,572	46,416
Reportable segment profit/results				
Depreciation and amortisation	12,317	5,039	166	17,522
Write-down of inventories	271	–	–	271
Reversal of write-down of inventories	(428)	–	–	(428)
Government grants	(7,246)	–	–	(7,246)
Unrealised gain on unlisted equity securities	–	–	(89)	(89)
Loss on fair value changes in investment properties	960	–	–	960
Loss on disposal of property, plant and equipment	1	–	–	1
Research and development expenses	17,063	–	–	17,063
Income tax expenses/(credit)	2,155	6,057	(78)	8,134

6. SEGMENT INFORMATION (Continued)

	Production and sales of industrial products HK$'000	Securities investment HK$'000	Unallocated HK$'000	Total HK$'000
As at 31 December 2021				
Reporting segment assets	540,398	4,141	215,076	759,615
Interests in associates	–	–	2,278	2,278
Interest in a joint venture	–	–	9,167	9,167
Additions to non-current segment assets (other than financial instruments and deferred income tax assets) during the year	8,796	–	1,188	9,984
Reporting segment liabilities	398,955	40	12,031	411,026

The Group's revenue from external customers and its non-current assets (other than financial instruments and deferred income tax assets) are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
The PRC, excluding Hong Kong	**227,265**	304,418	**524,786**	106,687
Hong Kong	**4,351**	18,563	**20,315**	38,087
	231,616	322,981	**545,101**	144,774

The geographical location of customers is based on the location at which the goods delivered or the services were provided. The geographical location of the non-current assets is based on the physical location of the assets.

No revenue from customers contributed over 10% of the total revenue of the Group during the years ended 31 December 2022 and 2021.

7. OTHER INCOME

	2022 HK$'000	2021 HK$'000
Rental income from		
– investment properties (note 19)	**8,616**	7,409
– motor vehicle included in property, plant and equipment	**240**	240
– right-of-use assets (note 20(a))	**4,257**	3,723
	13,113	11,372
Government grants (note (a))	**3,608**	7,246
Agency fee income (note (b))	**3,383**	3,649
Income from provision of administrative services (note (c))	**450**	651
Income from sales of scraps	**110**	146
	20,664	23,064

Notes:

(a) The government grants related to (i) funding support amounted to HK$288,000 (2021: Nil) from the Employment Support Scheme under the Anti-Epidemic Fund as set up by the Hong Kong Special Administrative Region Government for the purpose of providing financial support to enterprises to retain their employees who would otherwise be redundant; and (ii) grants amounted to HK$3,320,000 (2021: HK$7,246,000) from the PRC local government authority in respect of subsidising the Group's research and development activities, which either (i) immediately recognised as other income upon fulfilment of all the relevant granting criteria; or (ii) were recognised as deferred income (note 34) and was amortised.

(b) Included in agency fee income was the amount of Nil (2021: HK$1,062,000) and HK$1,346,000 (2021: HK$1,031,000) received from Sino IC Leasing, the substantial shareholder of UNIC Capital Management, and Sino Leasing (Beijing) Co., Ltd. (芯鑫融資租賃(北京)有限責任公司), an indirectly owned subsidiary of Sino IC Leasing, respectively.

(c) Included in income from provision of administrative services was the amount of HK$450,000 (2021: HK$651,000) received from CFIG Holdings Limited ("CFIG"), a fellow subsidiary of the Group.

8. OTHER (LOSSES)/GAINS, NET

	2022 HK$'000	2021 HK$'000
Exchange (losses)/gains, net	(4,167)	4,972
Compensation income	145	92
Unrealised gain on unlisted equity securities	56	89
Gain/(Loss) on fair value changes in investment properties (note 19)	560	(960)
Gain/(Loss) on disposal of property, plant and equipment	32	(1)
Loss on early termination of leases (note 20(a))	(199)	–
Others	282	905
	(3,291)	5,097

9. FINANCE COSTS, NET

	2022 HK$'000	2021 HK$'000
Finance income		
Interest income from bank deposits	2,550	2,280
Finance costs		
Interest expenses on bank and other borrowings	6,507	4,480
Interest expenses on convertible bonds (note 32)	–	5,433
Finance charges on lease liabilities (note 35(b))	574	732
	7,081	10,645
Finance costs, net	4,531	8,365

10. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/Profit before income tax is arrived at after charging/(crediting):

	2022 HK$'000	2021 HK$'000
Auditor's remuneration	1,772	1,768
Amortisation of intangible assets (note 21)	2,597	2,098
Depreciation of property, plant and equipment (note 18)	7,934	3,898
Depreciation of right-of-use assets (note 20(a))	10,249	11,526
Write-down of inventories (note 22)	430	271
Reversal of write-down of inventories (note 22)	(712)	(428)
Cost of inventories recognised as an expense (note (a))	134,452	178,202
Research and development expenses (note (b))	23,446	17,063
Short-term leases charges	2,398	1,497

Notes:

(a) Cost of inventories recognised as an expense includes amortisation and depreciation expenses of HK$64,000 (2021: HK$55,000) and staff costs of HK$10,377,000 (2021: HK$13,279,000), which amounts are also included in the respective total amounts disclosed above and in note 14 respectively.

(b) Research and development expenses include amortisation and depreciation expenses of HK$384,000 (2021: HK$386,000), short-term lease charges of HK$131,000 (2021: HK$200,000) and staff costs of HK$17,939,000 (2021: HK$12,951,000), which amounts are also included in the respective total amounts disclosed above and in note 14 respectively.

11. INCOME TAX (CREDIT)/EXPENSES

	2022 HK$'000	2021 HK$'000
Current tax		
– PRC Enterprise Income Tax ("EIT")	–	3,407
– Over-provision in respect of prior years	–	(1,524)
	–	1,883
Deferred income tax (note 33)	(549)	6,251
	(549)	8,134

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2022 and 2021 as the assessable profits has been fully absorbed by the tax losses brought forward.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2021: 25%), except for Suneast Intelligent Equipment Technology (Shenzhen) Co., Ltd. (日東智能裝備科技(深圳)有限公司) ("Suneast Intelligent"), which the preferential tax rate is 15% (2021: 15%) based on the relevant PRC tax laws and regulations.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, one of the Group's PRC subsidiaries engaging in research and development activities is entitled to claim 200% (2021: 200%) for the year ended 31 December 2022 of its research and development expenses so incurred as tax deductible expenses when determining its assessable profit for the year ended 31 December 2022 ("Super Deduction"). The Group has made its best estimate for the Super Deduction to be claimed for the Group's PRC subsidiary in ascertaining its assessable profit for the years ended 31 December 2022 and 2021.

The Group is not subject to income tax in other tax jurisdictions during the years ended 31 December 2022 and 2021.

11. INCOME TAX (CREDIT)/EXPENSES (Continued)

The income tax (credit)/expenses can be reconciled to the (loss)/profit before income tax per the consolidated statement of comprehensive income as follows:

	2022 HK$'000	2021 HK$'000
(Loss)/Profit before income tax	(33,641)	46,416
Tax on (loss)/profit before income tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	(5,617)	8,333
Tax effect of income not taxable for tax purposes	(1,982)	(2,274)
Tax effect of expense not deductible for tax purposes	2,999	4,663
Tax effect of share of results of associates	(9)	(377)
Tax effect of share of result of a joint venture	(222)	(147)
Tax effect of tax losses not recognised	10,655	2,220
Utilisation of tax losses previously not recognised	(3,366)	(2,417)
Super Deduction on research and development expense	(3,007)	(343)
Over-provision in respect of prior years	–	(1,524)
Income tax (credit)/expenses	(549)	8,134

12. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to owners of the Company is based on the following data:

	2022 HK$'000	2021 HK$'000
(Loss)/Earnings		
(Loss)/Earnings for the purpose of basic and diluted (loss)/earnings per share ((loss)/profit for the year attributable to owners of the Company)	**(24,504)**	38,282
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per shares (in thousands)	**1,455,000**	1,455,000

The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares in issue during the year ended 31 December 2022.

The computation of diluted earnings per share for the year ended 31 December 2021 does not assume the conversion of the Company's outstanding convertible bonds since their assumed exercise would result into an anti-dilutive effect.

13. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2022, nor has any dividend been proposed since the end of the reporting period (2021: Nil).

14. EMPLOYEE BENEFIT EXPENSES

	2022 HK$'000	2021 HK$'000
Salaries, wages, allowances and other benefits	**92,200**	77,447
Retirement scheme contributions	**5,412**	4,109
	97,612	81,556

14. EMPLOYEE BENEFIT EXPENSES (Continued)

As at 31 December 2022, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2021: Nil).

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2022				
Executive directors				
Mr. Du Yang (note (a))	–	–	–	–
Mr. Yuan I-Pei	–	–	–	–
Mr. Xia Yuan (note (c))	–	–	–	–
Non-executive directors				
Mr. Li Yongjun	–	–	–	–
Mr. Li Jinxian	–	–	–	–
Independent non-executive directors				
Mr. Wang Yanxin (note (b))	144	–	–	144
Mr. Cui Yuzhi	144	–	–	144
Mr. Bao Yi	144	–	–	144
Mr. Ping Fan	144	–	–	144
	576	–	–	576

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2021				
Executive directors				
Mr. Du Yang	–	–	–	–
Mr. Yuan I-Pei	–	–	–	–
Mr. Xia Yuan (note (c))	–	300	–	300
Non-executive directors				
Mr. Li Yongjun	–	–	–	–
Mr. Li Jinxian	–	–	–	–
Independent non-executive directors				
Mr. Wang Yanxin (note (b))	23	–	–	23
Mr. Cui Yuzhi	144	–	–	144
Mr. Bao Yi	144	–	–	144
Mr. Ping Fan	144	–	–	144
	455	300	–	755

Notes:

(a) Mr. Du Yang resigned as an executive director of the Company on 10 August 2022.

(b) Mr. Wang Yanxin was appointed as an independent non-executive director of the Company on 4 November 2021.

(c) Mr. Xia Yuan is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

No emoluments were paid by the Group to any directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2022 and 2021.

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

There were no arrangements under which a director of the Company waived or agreed to waive any remuneration during the years ended 31 December 2022 and 2021.

16. FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

No director, whose emoluments are reflected in the analysis presented above, is the five individuals whose emoluments were the highest in the Group for the years ended 31 December 2022 and 2021. The emoluments payable to five (2021: five) highest paid individuals during the year ended 31 December 2022 are as follows:

	2022 HK$'000	2021 HK$'000
Salaries, wages, allowances and other benefits	8,857	12,464
Retirement scheme contributions	211	172
	9,068	12,636

The emoluments fell within the following bands:

	Number of individuals	
	2022	2021
Emolument bands		
HK$1,000,001 - HK$2,000,000	2	2
HK$2,000,001 - HK$3,000,000	3	2
HK$4,000,001 - HK$5,000,000	–	1

17. SUBSIDIARIES, INTERESTS IN ASSOCIATES AND A JOINT VENTURE

(a) Subsidiaries

Particulars of the principal subsidiaries as at 31 December 2022 and 2021 are as follows:

Name of company	Place of incorporation/ establishment and business	Type of legal entity	Particulars of issued and paid up capital	Percentage of ownership held by the Group	Principal activity
Sun East Tech Development Limited	Hong Kong	Limited liability company	HK$10,000	100% (2021: 100%)	Sales of industrial products
Sun East Electronic Equipment Company Limited	Hong Kong	Limited liability company	HK$5,000,000	100% (2021: 100%)	Sales of industrial products
Xincheng Technology (Shaoxing) Co., Ltd. (芯成科技(紹興)有限公司)	The PRC	Wholly foreign-owned enterprise	US$3,000,000	100% (2021: 100%)	Provision for agency services
Suneast Intelligent	The PRC	Wholly foreign-owned enterprise	HK$25,000,000	100% (2021: 100%)	Production and sales of industrial products
Ridong Electronic Development (Shenzhen) Co., Ltd. (日東電子發展(深圳)有限公司)	The PRC	Wholly foreign-owned enterprise	HK$81,000,000	100% (2021: 100%)	Production and sales of industrial products
Sintech Intelligent Technology (Haining) Co., Ltd. (芯泰智能科技(海寧)有限公司) ("Sintech Haining")	The PRC	Limited liability company	RMB50,000,000	69% (2021: Nil)	manufacture of advanced domestic radar hardware and development, application and system integration of radar intelligent software
Zhongxin Electric (Zhuhai Hengqin) Energy Technology Co., Ltd. (中鑫電聯(珠海橫琴)能源科技有限公司) ("Zhongxin Zhuhai")	The PRC	Limited liability company	RMB50,000,000	51% (2021: Nil)	Investment holding
Zhongxin Electric Union (Datong) Energy Technology Co., Ltd. (中鑫電聯(大同)能源科技有限公司)	The PRC	Limited liability company	RMB10,000,000	51% (2021: Nil)	development, building and operation of energy storage power stations in PRC

17. SUBSIDIARIES, INTERESTS IN ASSOCIATES AND A JOINT VENTURE (Continued)

(a) Subsidiaries (Continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year ended 31 December 2022 or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries of the Company would, in the opinion of the directors of the Company, result in particulars of excessive length.

The subsidiaries of the Company shown in the above table are all indirectly held by the Company.

17. SUBSIDIARIES, INTERESTS IN ASSOCIATES AND A JOINT VENTURE (Continued)

(a) Subsidiaries (Continued)

The Group includes two group of subsidiaries with material non-controlling interests, the details and the summarised financial information, before intragroup eliminations, are as follows:

	Sintech Haining and its subsidiary 2022 HK$'000	Zhongxin Zhuhai and its subsidiaries 2022 HK$'000
Proportion of ownership interests and voting rights held by the Group	69%	51%
Current assets	23,850	44,977
Non-current assets	28,639	373,395
Current liabilities	1,392	68,113
Non-current liabilities	4,045	305,428
Net assets	47,052	44,831
Carrying amount of non-controlling interests	14,586	21,967
Revenue	–	–
Total expenses	(9,312)	(11,636)
Loss for the year	(9,312)	(11,636)
Other comprehensive expense for the year	(1,085)	(2,142)
Total comprehensive expense for the year	(10,397)	(13,778)
Loss for the year attributable to non-controlling interests	(2,887)	(5,701)
Total comprehensive expense attributable to non-controlling interests	(3,223)	(6,752)
Net cash flows used in operating activities	(8,325)	(7,397)
Net cash flows used in investing activities	(7,900)	(18,408)
Net cash flows from financing activities	21,406	31,941
Net increase in cash and cash equivalents	5,181	6,136

17. SUBSIDIARIES, INTERESTS IN ASSOCIATES AND A JOINT VENTURE (Continued)

(a) Subsidiaries (Continued)

Note: No comparative figures are shown above since these two group of subsidiaries are established during the year ended 31 December 2022.

(b) Interests in associates

	2022 HK$'000	2021 HK$'000
At the beginning of the year	2,278	247,684
Capital injection to an associate	1,650	–
Acquisition of an associate (note (i))	8,475	–
Disposal of an associate (note (ii))	–	(247,691)
Share of results of associates	54	2,285
Exchange differences	278	–
At the end of the year	12,735	2,278

The following list contains the particular of the associates of the Group, all of which are unlisted corporate entities whose quoted market prices are not available.

Name of associate	Type of legal entity	Place of incorporation and business	Particulars of issued and paid up capital	Ownership interest held	Principal activity
Sino IC Capital Limited ("Sino IC Capital")	Limited liability company	BVI	US$76,500 (2021: US$50,000)	33% (2021: 33%)	Investment holding
SIC Capital KK (note (i))	Limited liability company	Japan	Japanese Yen ("JPY") 275,000,000	20% (2021: Nil)	Properties investment

Notes:

(i) During the year ended 31 December 2022, the Group entered into a sale and purchase agreement with CFIG for the purchase of 20% equity interest in SIC Capital KK, at a cash consideration of US$1,080,000 (equivalent to HK$8,475,000). Such acquisition has been completed on 19 July 2022. Immediately after the acquisition, SIC Capital KK became one of the associates of the Group and has been accounted for using equity method.

17. SUBSIDIARIES, INTERESTS IN ASSOCIATES AND A JOINT VENTURE (Continued)

(b) Interests in associates (Continued)

Notes: (Continued)

(ii) During the year ended 31 December 2021, the Group entered into a share transfer agreement with Sino IC Leasing for the disposal of 48% equity interest in Sino IC Leasing Shenzhen at a cash consideration of RMB211,110,000 (equivalent to HK$253,438,000). Such disposal was to increase the available financial resources of the Group and was completed on 10 August 2021, the date which the Group ceased the application of equity accounted for the interest in Sino IC Leasing Shenzhen. Immediately after the disposal, the Group has retained the remaining 1% equity interest in Sino IC Leasing Shenzhen and classified such investment as financial asset at FVTPL whose fair value at the date of the transfer was HK$5,054,000. The transaction has resulted in the recognition of gain on disposal of an associate in profit or loss, and calculated as follows:

	HK$'000
Cash consideration for the disposal, net of dividend withholding tax paid of HK$2,133,000	251,305
Add: fair value of the financial asset at FVTPL retained	5,054
Less: carrying amount of 49% equity interest on the date of loss of significant influence	(247,691)
Gain on disposal of an associate	8,668

Set out below are the summarised financial information of Sino IC Capital which are accounted for using the equity method.

	2022 HK$'000	2021 HK$'000
Current assets	28	14
Non-current assets	11,919	6,933
Current liabilities	44	44
Net assets	11,903	6,903

	2022 HK$'000	2021 HK$'000
Revenue	–	–
Total expenses	–	(30)
Net loss	–	(30)

17. SUBSIDIARIES, INTERESTS IN ASSOCIATES AND A JOINT VENTURE (Continued)

(b) Interests in associates (Continued)

A reconciliation of the above summarised financial information to the carrying amount of the interest in Sino IC Capital is set out below:

	2022 HK$'000	2021 HK$'000
Net assets	**11,903**	6,903
Proportion of ownership interests held by the Group	**33%**	33%
Carrying amount of the interest in Sino IC Capital	**3,928**	2,278

Set out below are the summarised financial information of SIC Capital KK which are accounted for using the equity method.

	As at 31 December 2022 HK$'000	As at 19 July 2022 (date of acquisition) HK$'000
Current assets	**2,438**	564
Non-current assets	**34,509**	32,928
Current liabilities	**2,370**	141
Non-current liabilities	**197**	189
Net assets	**34,380**	33,162

17. SUBSIDIARIES, INTERESTS IN ASSOCIATES AND A JOINT VENTURE (Continued)

(b) Interests in associates (Continued)

	From 19 July 2022 (date of acquisition) to 31 December 2022 HK$'000
Revenue	330
Total expenses	(58)
Net profit	272

A reconciliation of the above summarised financial information to the carrying amount of the interest in SIC Capital KK is set out below:

	As at 31 December 2022 HK$'000	As at 19 July 2022 (date of acquisition) HK$'000
Net assets	34,380	33,162
Proportion of ownership interests held by the Group	20%	20%
Share of net assets of SIC Capital KK	6,876	6,632
Goodwill	1,931	1,843
Carrying amount of the interest in SIC Capital KK	8,807	8,475

17. SUBSIDIARIES, INTERESTS IN ASSOCIATES AND A JOINT VENTURE (Continued)

(b) Interests in associates (Continued)

Set out below are the summarised financial information of Sino IC Leasing Shenzhen which are accounted for using the equity method.

	As at 10 August 2021 (date of disposal) HK$'000
Current assets	848,243
Non-current assets	171,690
Current liabilities	60,172
Non-current liabilities	454,270
Net assets	505,491

	From 1 January 2021 to 10 August 2021 (date of disposal) HK$'000
Revenue	39,179
Total expenses	(34,496)
Net profit	4,683

17. SUBSIDIARIES, INTERESTS IN ASSOCIATES AND A JOINT VENTURE (Continued)

(b) Interests in associates (Continued)

A reconciliation of the above summarised financial information to the carrying amount of the interest in Sino IC Leasing Shenzhen is set out below:

	As at 10 August 2021 (date of disposal) HK$'000
Net assets	505,491
Proportion of ownership interests held by the Group	49%
Carrying amount of the interest in Sino IC Leasing Shenzhen	247,691

The Group has not incurred any contingent liabilities or other commitments relating to its interests in associates (2021: Nil).

(c) Interest in a joint venture

	2022 HK$'000	2021 HK$'000
At the beginning of the year	9,167	–
Acquisition of a joint venture upon capital injection (note)	–	8,579
Share of result of a joint venture	887	588
Exchange differences	(708)	–
At the end of the year	9,346	9,167

Note: During the year ended 31 December 2021, the Group entered into a capital contribution agreement (the "Agreement") with the existing shareholders of Huxin Industrial for the capital contribution of RMB7,000,000 (equivalent to HK$8,579,000), for the acquisition of 29.58% equity interest in Huxin Industrial. The principal activities of Huxin Industrial are provision of property and management services in the PRC. Such capital injection was completed on 9 June 2021. Immediately after the acquisition, the 29.58% equity interest in Huxin Industrial are classified as a joint venture of the Group and accounted for using the equity method.

17. SUBSIDIARIES, INTERESTS IN ASSOCIATES AND A JOINT VENTURE (Continued)

(c) Interest in a joint venture (Continued)

The following list contains the particular of the joint venture of the Group, which is unlisted corporate entity whose quoted market prices are not available.

Name of joint venture	Type of legal entity	Place of establishment and business	Particulars of issued and paid up capital	Ownership interest held	Principal activity
Huxin Industrial	Limited liability company	The PRC	RMB23,665,000	29.58% (2021: 29.58%) (note)	Provision of property and management services

Note: The Group classified the interest in Huxin Industrial as joint venture because unanimous consents in the board of directors' meeting and shareholders' meeting are required in accordance with the Agreement and the Articles of Association of Huxin Industrial, and therefore, all shareholders shared the control.

Set out below are the summarised financial information of Huxin Industrial which are accounted for using the equity method.

	2022 HK$'000	2021 HK$'000
Current assets	35,685	35,721
Non-current assets	14,011	12,650
Current liabilities	19,192	16,121
Non-controlling interests	–	2,453
Net assets attributable to owners of Huxin Industrial	30,504	29,797
Included in the above assets and liabilities:		
Cash and cash equivalents	22,445	16,535

17. SUBSIDIARIES, INTERESTS IN ASSOCIATES AND A JOINT VENTURE (Continued)

(c) Interest in a joint venture (Continued)

	Year ended 31 December 2022 HK$'000	From 9 June 2021 (date of acquisition) to 31 December 2021 HK$'000
Revenue	53,527	30,803
Finance income	176	23
Other expenses	(49,908)	(28,656)
Profit before income tax	3,795	2,170
Income tax expense	(796)	(172)
Profit for the year/period	2,999	1,998
Profit attributable to owners of Huxin Industrial	2,999	1,987
Profit attributable to non-controlling interests of Huxin Industrial	–	11
	2,999	1,998

A reconciliation of the above summarised financial information to the carrying amount of the interest in Huxin Industrial is set out below:

	2022 HK$'000	2021 HK$'000
Net assets attributable to owners of Huxin Industrial	30,504	29,797
Proportion of ownership interests held by the Group	29.58%	29.58%
	9,023	8,814
Goodwill	323	353
Carrying amount of the interest in Huxin Industrial	9,346	9,167

The Group has not incurred any contingent liabilities or other commitments relating to its interest in a joint venture (2021: Nil).

18. PROPERTY, PLANT AND EQUIPMENT

	Properties HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and property decoration HK$'000	Computer software HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
As at 1 January 2021							
Cost	95,875	22,120	35,440	1,467	6,094	–	160,996
Accumulated depreciation	(38,541)	(18,209)	(27,291)	(379)	(3,430)	–	(87,850)
Net book amount	57,334	3,911	8,149	1,088	2,664	–	73,146
Year ended 31 December 2021							
Opening net book amount	57,334	3,911	8,149	1,088	2,664	–	73,146
Additions	–	234	1,857	–	1,301	–	3,392
Disposals	–	(13)	(3)	–	(15)	–	(31)
Depreciation	(1,132)	(464)	(1,655)	(133)	(514)	–	(3,898)
Exchange differences	1,261	155	345	33	11	–	1,805
Closing net book amount	57,463	3,823	8,693	988	3,447	–	74,414
As at 31 December 2021 and 1 January 2022							
Cost	100,014	22,607	37,846	1,513	7,272	–	169,252
Accumulated depreciation	(42,551)	(18,784)	(29,153)	(525)	(3,825)	–	(94,838)
Net book amount	57,463	3,823	8,693	988	3,447	–	74,414
Year ended 31 December 2022							
Opening net book amount	57,463	3,823	8,693	988	3,447	–	74,414
Additions	–	359,869	4,932	–	400	11,165	376,366
Capital contribution from a non-controlling shareholder	–	14,133	–	–	–	–	14,133
Disposals	–	(15)	(7)	–	(89)	–	(111)
Transfer to investment properties (note 19)	(1,563)	–	–	–	–	–	(1,563)
Depreciation	(1,049)	(4,435)	(1,693)	(130)	(627)	–	(7,934)
Exchange differences	(3,395)	(758)	(1,089)	(79)	(48)	(490)	(5,859)
Closing net book amount	51,456	372,617	10,836	779	3,083	10,675	449,446
As at 31 December 2022							
Cost	85,848	394,750	40,759	1,393	6,701	10,675	540,126
Accumulated depreciation	(34,392)	(22,133)	(29,923)	(614)	(3,618)	–	(90,680)
Closing net book amount	51,456	372,617	10,836	779	3,083	10,675	449,446

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2022, the Group's bank and other borrowings were secured by the Group's properties and machinery and equipment included in property, plant and equipment with carrying amount of HK$44,319,000 (2021: HK$54,775,000) and HK$355,767,000 (2021: Nil) respectively. Details of the secured bank and other borrowings are set out in note 31.

During the years ended 31 December 2022 and 2021, the Group entered into an arrangement to lease a motor vehicle to CFIG. The Group could request for termination anytime upon serving notice to CFIG. The Group considered that the lease arrangement is an operating lease and the movement of the motor vehicle is detailed as below:

	Motor vehicle	
	2022 HK$'000	2021 HK$'000
As at 1 January		
Cost	**722**	722
Accumulated depreciation	**(336)**	(206)
Net book amount	**386**	516
Year ended 31 December		
Opening net book amount	**386**	516
Depreciation	**(130)**	(130)
Closing net book amount	**256**	386
As at 31 December		
Cost	**722**	722
Accumulated depreciation	**(466)**	(336)
Closing net book amount	**256**	386

As disclosed in the Company's announcements dated 6 November 2022 and 11 November 2022 and the Company's circular dated 30 November 2022, the Group entered into certain sale and leaseback arrangements with Sino IC Leasing in relation to the machinery leases with an aggregate carrying amount of RMB320,638,000 (equivalent to HK$358,826,000), while the Group has the right to acquire the machinery at an aggregate nominal consideration of RMB3,000 (equivalent to HK$3,000), at the end of the lease period. Down payment with an aggregate amount of RMB33,909,000 (equivalent to HK$37,948,000) has been paid by the Group during the year ended 31 December 2022, and the remaining amount of RMB286,729,000 (equivalent to HK$320,878,000) would be paid by 60 months in 20 instalments.

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

These legal transfers do not satisfy the requirements of HKFRS 15 to be accounted for as a sale of machinery and thus, in accordance with HKFRS 16, the leased machinery with an aggregate carrying amount of RMB320,638,000 (equivalent to HK$358,826,000) has been recognised as machinery and equipment under property, plant and equipment while related liabilities of RMB286,729,000 (equivalent to HK$320,878,000) has been recognised as other borrowings (note 31).

19. INVESTMENT PROPERTIES

	2022 HK$'000	2021 HK$'000
At the beginning of the year	**26,806**	26,943
Transfer from property, plant and equipment	**5,177**	–
Gain/(Loss) on fair value changes (note 8)	**560**	(960)
Exchange differences	**(2,775)**	823
At the end of the year	**29,768**	26,806

	2022 HK$'000	2021 HK$'000
Gain on revaluation of property, plant and equipment upon transfer to investment properties (included in asset revaluation reserve)	**3,614**	–

As at 1 March 2022, the Group changed the use of certain properties included in property, plant and equipment to investment properties and leased them to an independent third party for rental income. The fair value of such properties at the date of transfer was determined by an independent qualified professional valuer, RHL Appraisal Limited ("RHL"), who have recent experience in the locations and categories of properties being valued. Upon the transfer to investment properties, such properties were revalued from the carrying amount of HK$1,563,000 (2021: Nil) with a gain on revaluation of HK$3,614,000 (2021: Nil). The amount of HK$2,711,000 (2021: Nil), net of deferred income tax liabilities of HK$903,000 (2021: Nil), has been credited to "asset revaluation reserve" in equity (note 28).

19. INVESTMENT PROPERTIES (Continued)

As at 31 December 2022, the Group's bank and other borrowings were secured by the Group's investment properties with carrying amount of HK$29,768,000 (2021: HK$26,806,000). Details of the secured bank and other borrowings are set out in note 31.

(a) The amount of investment properties recognised in profit or loss

	2022 HK$'000	2021 HK$'000
Rental income	8,616	7,409

No outgoing expenses in respect of investment properties has been incurred during the years ended 31 December 2022 and 2021.

(b) Fair value measurement of investment properties

The investment properties are revalued on 31 December 2022 and 2021 by an independent qualified professional valuer, RHL, who have recent experience in the locations and categories of properties being valued. The Group's finance team performs valuations of the investment properties for financial reporting purposes in consultation of the independent qualified professional valuer for complex valuations. Valuation techniques are selected based on the characteristics of each property, with the overall objective of maximising the use of market-based information. The Group's finance team reports directly to the chief financial officer and to the audit committee. Valuation processes and fair value changes are discussed among the audit committee and the valuation team at the end of each reporting period.

19. INVESTMENT PROPERTIES (Continued)

(b) Fair value measurement of investment properties (Continued)

The following tables show the Group's investment properties measured at fair value in the consolidated balance sheet on a recurring basis, categorised into Level 3 of a fair value hierarchy.

Set out below are information about the fair value of the investment properties categorised under Level 3 fair value hierarchy:

	Valuation technique	Significant unobservable input	Range (Weighted average) 2022	Range (Weighted average) 2021
Factory and dormitory in the PRC	Depreciation replacement cost approach	Unit construction cost (per square metre)	RMB1,410	RMB1,344

An increase/(decrease) in the estimated construction cost for replacement per square meter would result in the same level of increase/(decrease) in the fair value of the investment properties.

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

There were no transfers between fair value hierarchy during the years ended 31 December 2022 and 2021.

20. LEASES

(a) Right-of-use assets

	Leasehold land HK$'000 (note (i))	Buildings HK$'000	Total HK$'000
As at 1 January 2021	8,994	18,296	27,290
Additions	–	3,869	3,869
Depreciation	(315)	(11,211)	(11,526)
Exchange differences	275	31	306
As at 31 December 2021 and 1 January 2022	8,954	10,985	19,939
Additions	**6,631**	**6,681**	**13,312**
Lease modification (note (iv))	**–**	**15,712**	**15,712**
Early termination (note (v))	**–**	**(1,932)**	**(1,932)**
Depreciation	**(346)**	**(9,903)**	**(10,249)**
Exchange differences	**(1,059)**	**(348)**	**(1,407)**
As at 31 December 2022	**14,180**	**21,195**	**35,375**

Notes:

(i) As at 31 December 2022, leasehold land under right-of-use assets of HK$14,180,000 (2021: HK$8,954,000) represents the land use rights located in the PRC.

(ii) During the year ended 31 December 2021, the Group entered into a lease agreement with Huxin Industrial, the joint venture of the Group, for the lease of buildings with addition to the right-of-use assets of HK$696,000. As at 31 December 2021, the carrying amount of such buildings included in right-of-use assets was HK$544,000.

20. LEASES (Continued)

(a) Right-of-use assets (Continued)

Notes: (Continued)

(iii) During the year ended 31 December 2022, the Group subleased certain portion of the rented buildings in Hong Kong for the lease period from 1 January 2022 to 31 December 2022 (2021: from 1 January 2021 to 31 December 2021). The Group classified the sublease as operating lease. During the year ended 31 December 2022, the Group recognised rental income from subleasing such right-of-use assets was HK$4,257,000 (2021: HK$3,723,000) (note 7), in which rental income of HK$4,257,000 (2021: HK$3,393,000) was received from CFIG.

(iv) During the year ended 31 December 2022, the Group has negotiated with the landlord of certain leased building in Hong Kong for the surrender of the old tenancy agreement with the lease period from 26 October 2019 to 25 October 2022 for a monthly rental fee of HK$851,000, with the replacement of a new tenancy agreement with the lease period from 1 January 2022 to 31 December 2024 for a monthly rental fee of HK$693,000. Such change in consideration and the lease payment that were not part of the original terms and conditions are accounted for as lease modification. Accordingly, there is an increase of the Group's lease liabilities of HK$15,712,000 (2021: Nil) and a corresponding adjustment of the same amount to the right-of-use assets.

(v) During the year ended 31 December 2022, the Group has early terminated certain leases of buildings with carrying amount of HK$1,932,000 (2021: Nil). Such termination resulted into derecognition of right-of-use assets of HK$1,932,000 (2021: Nil) and the lease liabilities of HK$1,733,000 (2021: Nil), resulting the loss of early termination of leases recognised in "other (losses)/gains, net" of HK$199,000 (2021: Nil) (note 8).

20. LEASES (Continued)

(b) Lease liabilities

The following tables show the remaining contractual maturities of the Group's lease liabilities:

	2022 HK$'000	2021 HK$'000
Total minimum lease payments:		
– Due within one year	10,213	9,661
– Due in second to fifth years	12,687	1,847
	22,900	11,508
Less: future finance charges on lease liabilities	(851)	(363)
Present value of lease liabilities	22,049	11,145
Present value of minimum lease payments:		
– Due within one year	9,819	9,388
– Due in second to fifth years	12,230	1,757
	22,049	11,145
Less: portion due within one year included under current liabilities	(9,819)	(9,388)
Portion due after one year included under non-current liabilities	12,230	1,757

As at 31 December 2022, lease liabilities amounted to HK$22,049,000 (2021: HK$11,145,000) are effectively secured by the related underlying assets as the rights to the leased assets would be reverted to the lessors in the event of default by repayment by the Group.

During the year ended 31 December 2022, the total cash outflows arising from the above leases were HK$12,353,000 (2021: HK$13,670,000).

Details of the lease maturity analysis of the lease liabilities are set out in note 4.1(c).

20. LEASES (Continued)

(b) Lease liabilities (Continued)

Details of lease activities

As at 31 December 2022 and 2021, the Group has entered into leases for office premises, staff quarter and certain plant and machinery.

Type of right-of-use asset	Consolidated financial statements item of right-of-use asset included in	Number of lease	Range of remaining lease term	Number of lease with extension option	Number of lease with option to purchase	Number of lease with termination option
As at 31 December 2022						
Land for factory and staff quarter	Leasehold land	12	27 - 50 years	–	–	–
Office premises	Buildings	2	2 - 5 years	1	1	1
Plant for radar business	Buildings	1	3 years	1	–	1
Staff quarter	Buildings	3	1- 2 years	3	–	3
As at 31 December 2021						
Land for factory and staff quarter	Leasehold land	11	28 years	–	–	–
Office premises	Buildings	2	1 - 5 years	1	1	1
Staff quarter	Buildings	1	Less than 1 year	1	–	1

The Group considered no extension or termination option would be exercised at the lease commencement date.

21. INTANGIBLE ASSETS

	Development costs HK$'000
As at 1 January 2021	
Cost	24,106
Accumulated amortisation	(1,825)
Net book amount	22,281
Year ended 31 December 2021	
Opening net book amount	22,281
Additions	2,723
Amortisation	(2,098)
Exchange differences	709
Closing net book amount	23,615
As at 31 December 2021 and 1 January 2022	
Cost	27,637
Accumulated amortisation	(4,022)
Net book amount	23,615
Year ended 31 December 2022	
Opening net book amount	**23,615**
Additions	**5,427**
Capital contribution from a non-controlling shareholder	**3,677**
Amortisation	**(2,597)**
Exchange differences	**(2,311)**
Closing net book amount	**27,811**
As at 31 December 2022	
Cost	**33,972**
Accumulated amortisation	**(6,161)**
Closing net book amount	**27,811**

22. INVENTORIES

	2022 HK$'000	2021 HK$'000
Raw materials	9,525	20,595
Work in progress	3,097	10,127
Finished goods	10,828	17,883
	23,450	48,605

The movement in provision for inventories is as follows:

	2022 HK$'000	2021 HK$'000
At the beginning of the year	1,072	1,194
Write-down	430	271
Reversal of write-down	(712)	(428)
Exchange differences	(80)	35
At the end of the year	710	1,072

For the year ended 31 December 2022, provision for inventories of HK$430,000 (2021: HK$271,000) was recognised in the cost of sales and due to the decline of certain inventories.

During the year ended 31 December 2022, reversal of write-down of inventories of HK$712,000 (2021: HK$428,000) was recognised upon disposal of inventories as scrap and included in "other income".

23. FINANCIAL INSTRUMENTS BY CATEGORY

	2022 HK$'000	2021 HK$'000
Financial assets		
Financial assets at amortised cost		
– Trade and other receivables	268,947	234,199
– Cash and cash equivalents	273,446	308,462
Financial assets at FVTPL:		
– Listed entity securities	85	689
– Unlisted equity securities	18,765	5,143
	561,243	548,493
Financial liabilities		
Financial liabilities at amortised cost		
– Trade and other payables	262,333	252,356
– Bank and other borrowings	470,921	94,982
– Lease liabilities	22,049	11,145
	755,303	358,483

24. FINANCIAL ASSETS AT FVTPL

	2022 HK$'000	2021 HK$'000
Current		
Listed equity securities - Hong Kong	85	689
Non-current		
Unlisted equity securities - the PRC	18,765	5,143
	18,850	5,832

The fair value of the Group's investments in listed and unlisted equity securities has been measured as described in note 4.3.

25. TRADE AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Non-current		
Prepayment for purchase of property, plant and equipment	2,701	–
Deposits	4,353	–
	7,054	–
Current		
Trade receivables	67,541	61,847
Bills receivables	8,086	8,823
Trade and bills receivables, gross	75,627	70,670
Less: ECL allowance	(3,579)	(5,138)
Trade and bills receivables, net	72,048	65,532
Prepayments	2,161	2,723
Tax reserve certificate (note (a))	1,807	–
Amount due from a non-controlling shareholder (note (b))	25,180	–
Amount due from Sino IC Leasing (note (c))	75,918	–
Receivables from agency services	87,920	161,085
Deposits and other receivables	1,721	7,582
	266,755	236,922
	273,809	236,922

25. TRADE AND OTHER RECEIVABLES (Continued)

Notes:

(a) During the year ended 31 December 2022, the Company submitted a revised Profits Tax computation for the year of assessment 2020/21 to the Inland Revenue Department ("IRD") of Hong Kong to claim the actual realised loss on disposal of financial assets at FVTPL for the year ended 31 December 2020 as tax deductible. However, the IRD did not take into account of such loss claims in issuing the Company's Profits Tax assessment for the year of assessment 2021/22.

Based on the advice from the Company's tax advisor, the directors of the Company have determined to strongly contest the assessment raised by the IRD. The Company has lodged objection against this tax assessment and has applied to hold over the tax demanded for the year of assessment 2021/22. Whilst the IRD has issued an enquiry letter to seek further information regarding the loss claim, the IRD has agreed to the holdover of the tax demanded subject to the purchase of tax reserve certificate amounted to HK$1,807,000 (2021: Nil) pending further information to determine the objection. The purchase of tax reserve certificate does not prejudice the Company's tax position. No additional tax provision has been made during the year ended 31 December 2022 (2021: Nil) in respect of the above notice of assessment.

(b) The amount as at 31 December 2022 represented the un-paid capital contribution from a non-controlling shareholder for the establishment of non-wholly-owned subsidiary of the Group, which are unsecured, interest-free and repayable on demand.

(c) The amount as at 31 December 2022 represented the receivables from Sino IC Leasing for the remaining portion in respect of the sales of machinery under sales and leaseback arrangement.

The Group allows an average credit period of 30 - 90 days (2021: 30 - 90 days) to its customers, except for certain trade receivables are on acceptance bills or documents against payment. Based on the invoice dates (or date of revenue recognition if earlier), the ageing analysis of the trade and bills receivables is as follows:

	2022 HK$'000	2021 HK$'000
0 - 90 days	**45,589**	32,357
91 - 180 days	**16,726**	20,247
Over 180 days	**13,312**	18,066
	75,627	70,670

25. TRADE AND OTHER RECEIVABLES (Continued)

The movement in the Group's ECL allowance on trade and bills receivables is as follows:

	2022 HK$'000	2021 HK$'000
At the beginning of the year	5,138	5,715
Reversal of ECL allowance	(7)	(703)
Write-off	(1,213)	–
Exchange differences	(339)	126
At the end of the year	3,579	5,138

26. CASH AND CASH EQUIVALENTS

	2022 HK$'000	2021 HK$'000
Cash at banks and on hand	271,484	307,576
Cash balances deposited in securities brokers	1,962	886
	273,446	308,462

Included in cash and cash equivalents of the Group was HK$210,037,000 (2021: HK$118,974,000) of bank balances denominated in RMB placed with banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

27. SHARE CAPITAL

	Number of shares	HK$'000
Authorised:		
Ordinary shares of HK$0.1 each		
As at 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	2,000,000,000	200,000
Issued and full paid:		
As at 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	1,455,000,000	145,500

The share capital of the Company comprises of fully paid ordinary shares. All fully paid ordinary shares are equally eligible to receive dividends and to the repayment of capital and represent one vote at shareholders' meetings of the Company.

28. OTHER RESERVES

	Contributed surplus HK$'000	Convertible bonds equity reserve HK$'000	Statutory reserve HK$'000	Asset revaluation reserve HK$'000	Foreign currency translation reserve HK$'000	Total HK$'000
As at 1 January 2021	4,800	577,941	11,829	(773)	16,317	610,114
Repayment of convertible bonds (note 32)	–	(577,941)	–	–	–	(577,941)
Exchange differences on translation of foreign operations	–	–	–	–	1,093	1,093
As at 31 December 2021 and 1 January 2022	4,800	–	11,829	(773)	17,410	33,266
Revaluation of property, plant and equipment upon transfer to investment properties (note 19)	–	–	–	3,614	–	3,614
Deferred income tax on revaluation of property, plant and equipment upon transfer to investment properties (note 33)	–	–	–	(903)	–	(903)
Exchange differences on translation of foreign operations	–	–	–	–	(9,832)	(9,832)
As at 31 December 2022	4,800	–	11,829	1,938	7,578	26,145

29. TRADE AND OTHER PAYABLES

	2022 HK$'000	2021 HK$'000
Trade payables	**16,232**	34,248
Salaries payables	**33,351**	38,517
Other taxes payables	**31,684**	19,507
Payables to agency services	**109,662**	176,327
Payable to suppliers of leased machinery (note)	**98,275**	–
Accruals and other payables	**4,813**	3,264
	294,017	271,863

Note: The balance represented the unpaid portion arised from purchase of machinery under financing arrangement as at 31 December 2022 (2021: Nil).

The Group was granted by its suppliers' credit periods ranging from 30 - 60 days (2021: 30 - 60 days). Based on the invoice dates, the ageing analysis of the trade payables is as follows:

	2022 HK$'000	2021 HK$'000
0 – 90 days	**11,553**	25,458
91 – 120 days	**931**	1,619
Over 120 days	**3,748**	7,171
	16,232	34,248

30. CONTRACT LIABILITIES

	2022 HK$'000	2021 HK$'000
Receipts in advance from customers	6,177	14,437

Receiving a deposit of 20% (2021: 20%) before the delivery of the goods in sales of industrial products will give rise to contract liabilities at the commencement of a contract until the revenue recognised at the satisfaction of the performance obligation by the Group.

The significant decrease of contract liabilities as at 31 December 2022 is mainly due to the decrease in the deposits received as a result of lesser manufacturing orders received from customers near the year ended 31 December 2022.

Contract liabilities outstanding at the beginning of the year amounted to HK$14,437,000 (2021: HK$12,705,000) have been recognised as revenue during the year. The carrying amount of contract liabilities amounted to HK$6,177,000 (2021: HK$14,437,000) as at 31 December 2022 is expected to be recognised as revenue within one year.

The manufacturing contracts are for periods of one year or less or are billed based on time incurred. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

31. BANK AND OTHER BORROWINGS

	2022 HK$'000	2021 HK$'000
Non-current		
Secured bank borrowings	136,862	–
Secured other borrowings	305,428	–
	442,290	–
Current		
Secured bank borrowings	11,191	94,982
Secured other borrowings	17,440	–
	28,631	94,982
	470,921	94,982

	2022 HK$'000	2021 HK$'000
Carrying amount repayable, based on the scheduled repayment dates set out in the loan agreements		
– Within one year	28,631	94,982
– In the second to fifth years	442,290	–
	470,921	94,982
Less: amount due within one year	(28,631)	(94,982)
Carrying amount shown under non-current liabilities	442,290	–

As at 31 December 2022, the secured bank borrowings carried interest rates ranged from 0.35% to 0.55% (2021: 0.9%) over Loan Prime Rate for one-year loan, which the interest rates will be renewed at every 12 months from the drawdown of the secured bank borrowings. Such bank borrowings were secured by the Group's properties included in property, plant and equipment (note 18), investment properties (note 19) and leasehold land included in right-of-use assets (note 20(a)) with an aggregate carrying amount of HK$74,087,000 (2021: HK$81,581,000).

As at 31 December 2022, the secured other borrowings carried interest rate at Loan Prime Rate for one-year loan, which the interest rate will be adjusted every three months from the financing arrangement period. Such other borrowings were secured by the Group's machinery and equipment included property, plant and equipment (note 18) with carrying amount of HK$355,767,000 (2021: Nil).

32. CONVERTIBLE BONDS

On 30 May 2016, the Company issued zero coupon convertible bonds with face value of HK$148,000,000 to Unis Technology Strategy Investment Limited ("Unis Technology"), the controlling shareholder of the Company at the date of issue. The convertible bonds are convertible into ordinary shares of the Company at the discretion of the bondholders at any time between the date of issue of the bonds and up to their maturity date on 30 May 2021. The bonds can be converted into 370,000,000 ordinary shares at the conversion price of HK$0.4 per convertible bonds. At the date of issue of the convertible bonds, the above-mentioned convertible bonds are classified as financial liabilities at FVTPL.

On 30 May 2017, the special general meeting has been resolved for the supplementary agreement for the convertible bonds signed between the Company and Unis Technology for the removal of the relevant terms in relation to the conversion price adjustments under the original agreement. Accordingly, the above-mentioned removal has been considered as significant modification resulting in the extinguishment of the original convertible bonds and the recognition of the new convertible bonds.

The new convertible bonds were recognised as compound financial instruments. As at 30 March 2017, the effective date of renewal of the convertible bonds, the original convertible bonds recognised as financial liabilities at FVTPL of HK$678,487,000 was derecognised. At the same date, (i) liability component of the new convertible bonds of HK$100,546,000 has been recognised at financial liabilities at amortised cost; and (ii) the equity component of the new convertible bonds of HK$577,941,000 have been recognised under the convertible bonds equity reserve. The effective interest rate of the liability component of the new convertible bonds are 9.72%.

On 30 May 2021, the Group has fully repaid the new convertible bonds by cash. Upon the repayment of the new convertible bonds, the convertible bonds equity reserve of HK$577,941,000 has been reclassified to accumulated losses.

32. CONVERTIBLE BONDS (Continued)

From the issue of the original convertible bonds and up to the date of the maturity of the new convertible bonds, no conversion to the ordinary shares of the Company has been made by the bondholders.

The movement of the liability and equity component of the new convertible bonds is set out below:

	Liability component of the new convertible bonds HK$'000	Equity component of the new convertible bonds HK$'000	Total HK$'000
As at 1 January 2021	142,567	577,941	720,508
Effective interest charge for the year (note 9)	5,433	–	5,433
Repayment of the convertible bonds	(148,000)	–	(148,000)
Reclassification of the equity component of the new convertible bonds upon repayments	–	(577,941)	(577,941)
As at 31 December 2021,1 January 2022 and 31 December 2022	–	–	–

33. DEFERRED INCOME TAX

	2022 HK$'000	2021 HK$'000
Deferred income tax assets	3,705	3,575
Deferred income tax liabilities	(7,994)	(7,249)
	(4,289)	(3,674)

33. DEFERRED INCOME TAX (Continued)

The followings are the deferred income tax assets/(liabilities) recognised and movements thereon during the year:

	Tax losses HK$'000	Properties HK$'000	Investment properties HK$'000	Total HK$'000
As at 1 January 2021	9,578	(3,169)	(3,797)	2,612
(Charged)/Credited to profit or loss (note 11)	(6,083)	(681)	513	(6,251)
Exchange differences	80	(6)	(109)	(35)
As at 31 December 2021 and 1 January 2022	3,575	(3,856)	(3,393)	(3,674)
Credited/(Charged) to profit or loss (note 11)	**369**	**627**	**(447)**	**549**
Charged to other comprehensive income	**–**	**(903)**	**–**	**(903)**
Exchange differences	**(239)**	**(313)**	**291**	**(261)**
As at 31 December 2022	**3,705**	**(4,445)**	**(3,549)**	**(4,289)**

33. DEFERRED INCOME TAX (Continued)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profit is probable. As at 31 December 2022, the Group has not recognised deferred income tax assets of HK$84,992,000 (2021: HK$81,001,000) in respect of tax losses of HK$504,696,000 (2021: HK$476,985,000). Among the tax losses not recognised, tax losses of HK$484,496,000 (2021: HK$449,940,000) do not expire under current legislation. The remaining tax losses of HK$20,200,000 (2021: HK$27,045,000) will be expired in the following years:

	2022 HK$'000	2021 HK$'000
Year		
2022	–	26,511
2023	281	307
2024	47	51
2025	161	176
2026	19,711	–
	20,200	27,045

As at 31 December 2022, deferred income tax liabilities in respect of undistributed earnings of certain subsidiaries have not been recognised because the Company is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

34. DEFERRED INCOME

Deferred income represented the government grants received for the research and development project. The amount is amortised and transferred to other income (note 7) over the useful lives of the machinery and equipment purchased under such project.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation between (loss)/profit before income tax and cash generated from operations:

	Notes	2022 HK$'000	2021 HK$'000
(Loss)/Profit before income tax		**(33,641)**	46,416
Adjustments for:			
Amortisation of intangible assets	21	**2,597**	2,098
Depreciation of property, plant and equipment	18	**7,934**	3,898
Depreciation of right-of-use assets	20(a)	**10,249**	11,526
(Gain)/Loss on disposal of property, plant and equipment	8	**(32)**	1
Amortisation of deferred income		**(164)**	(168)
Unrealised loss/(gain) on listed equity securities		**24**	(282)
Unrealised gain on unlisted equity securities	8	**(56)**	(89)
Fair value (gain)/loss in investment properties	8	**(560)**	960
Write-down of inventories	22	**430**	271
Reversal of ECL allowance of trade and bills receivables	25	**(7)**	(703)
Loss on early termination of leases	8	**199**	–
Finance income	9	**(2,550)**	(2,280)
Finance costs	9	**7,081**	10,645
Share of results of associates	17(b)	**(54)**	(2,285)
Share of result of a joint venture	17(c)	**(887)**	(588)
Gain on disposal of an associate	17(b)	**–**	(8,668)
Operating cash flows before working capital changes		**(9,437)**	60,752
Decrease/(Increase) in inventories		**21,523**	(12,310)
Increase in trade and other receivables		**(24,056)**	(79,314)
Decrease in financial assets at FVTPL		**580**	43,228
(Decrease)/Increase in trade and other payables		**(55,756)**	151,771
Decrease in contract liabilities		**(7,345)**	(42,573)
Cash (used in)/generated from operations		**(74,491)**	121,554

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

(b) The Group's liabilities arising from financing activities can be classified as follows:

	Bank and other borrowings HK$'000	Lease liabilities HK$'000	Convertible bonds HK$'000	Total HK$'000
As at 1 January 2021	94,002	18,717	142,567	255,286
Cash flows:				
– Repayment	(1,920)	–	(148,000)	(149,920)
– Capital elements of lease rentals paid	–	(11,441)	–	(11,441)
– Interest element of lease rentals paid	–	(732)	–	(732)
Non-cash:				
– Interest expenses	–	732	5,433	6,165
– New lease arrangements	–	3,869	–	3,869
– Exchange differences	2,900	–	–	2,900
As at 31 December 2021 and 1 January 2022	94,982	11,145	–	106,127
Cash flows:				
– Bank borrowings raised	161,290	–	–	161,290
– Other borrowings raised for financing arrangement	358,826	–	–	358,826
– Repayment	(135,216)	–	–	(135,216)
– Capital element of lease rentals paid	–	(9,381)	–	(9,381)
– Interest element of lease rentals paid	–	(574)	–	(574)
Non-cash:				
– Interest expenses	1,990	574	–	2,564
– New lease arrangements	–	6,681	–	6,681
– Lease modification (note 20(a)(iv))	–	15,712	–	15,712
– Early termination (note 20(a)(v))	–	(1,733)	–	(1,733)
– Exchange differences	(10,951)	(375)	–	(11,326)
As at 31 December 2022	470,921	22,049	–	492,970

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Non-cash transactions

During the year ended 31 December 2022, the Group entered into certain lease arrangements in which additions to right-of-use assets and lease liabilities amounted to HK$6,681,000 (2021: HK$3,869,000) (note 20) was recognised at the lease commencement date.

As disclosed in note 20(a)(iv), during the year ended 31 December 2022, the Group has negotiated with the landlord of certain leased building in Hong Kong for the surrender of the old tenancy agreement with the replacement of a new tenancy agreement. Accordingly, there is an increase of the Group's lease liabilities of HK$15,712,000 (2021: Nil) and a corresponding adjustment of the same amount to the right-of-use assets.

As disclosed in note 20(a)(v), the Group has early terminated certain leases of buildings included in right-of-use assets with carrying amount of HK$1,932,000 (2021: Nil). Such termination resulted into the derecognition of right-of-use assets of HK$1,932,000 (2021: Nil) and the lease liabilities of HK$1,733,000 (2021: Nil), resulting the loss of early termination of leases recognised in "other (losses)/gains, net" of HK$199,000 (2021: Nil) (note 8).

As disclosed in the notes 18 and 21, the non-controlling shareholder of the Group has injected property, plant and equipment of HK$14,133,000 (2021: Nil) and intangible assets of HK$3,677,000 (2021: Nil) through capital contribution during the year ended 31 December 2022.

36. COMMITMENTS

(a) Lease commitments

The Group as lessee

At the end of the reporting period, the lease commitments for short-term leases are as follows:

	2022 HK$'000	2021 HK$'000
Within one year	**4,081**	96

As at 31 December 2022, the Group had committed to certain leases for buildings in which the leases are classified as short-term leases. The total future cash outflows for these leases amounted to HK4,081,000 (2021: HK$96,000) in aggregate which are included in the table above.

The Group as lessor

At the end of the reporting period, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of the investment properties as follows:

	2022 HK$'000	2021 HK$'000
Within one year	**7,445**	8,143
After one year but within five years	**16,842**	26,564
	24,287	34,707

The Group leases its investment properties (note 19) under operating lease arrangements which run for an initial period of one to five years (2021: one to five years). The terms of the leases generally also require the tenants to pay security deposits.

36. COMMITMENTS (Continued)

(b) Capital commitments

	2022 HK$'000	2021 HK$'000
Contracted but not provided for:		
– Property, plant and equipment	**26,020**	–

37. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had no other material balances and transactions with related parties during the years ended 31 December 2022 and 2021.

Key management personnel remunerations

Key management of the Group includes the executive directors, non-executive directors and company secretary of the Company and the executives of the Group. The remunerations paid or payable to key management personnel as follows:

	2022 HK$'000	2021 HK$'000
Short-term employees benefits	**6,470**	9,783
Post-employment benefits	**148**	86
	6,618	9,869

38. BALANCE SHEET OF THE COMPANY

	2022 HK$'000	2021 HK$'000
ASSETS		
Non-current assets		
Property, plant and equipment	30	33
Right-of-use assets	16,081	7,943
Investments in subsidiaries	29,947	30,337
Deposit	4,386	–
	50,444	38,313
Current assets		
Amounts due from subsidiaries	166,098	42,112
Trade and other receivables	259	5,555
Cash and cash equivalents	39,492	181,864
	205,849	229,531
Total assets	256,293	267,844
EQUITY AND LIABILITIES		
Capital and equity		
Share capital	145,500	145,500
Share premium	95,240	95,240
(Accumulated losses)/Retained profits (note)	(6,328)	12,997
Total equity	234,412	253,737

38. BALANCE SHEET OF THE COMPANY (Continued)

	2022 HK$'000	2021 HK$'000
Non-current liabilities		
Lease liabilities	**8,217**	–
Current liabilities		
Amounts due to subsidiaries	**1,870**	2,366
Trade and other payables	**3,464**	3,405
Lease liabilities	**8,330**	8,336
	13,664	14,107
Total liabilities	**21,881**	14,107
Total equity and liabilities	**256,293**	267,844
Net current assets	**192,185**	215,424
Total assets less current liabilities	**242,629**	253,737

Note: The movements in the Company's convertible bonds equity reserve and (accumulated losses)/retained profits are as follows:

	Convertible bonds equity reserve HK$'000	(Accumulated losses)/ Retained profits HK$'000
As at 1 January 2021	577,941	(562,532)
Repayment of convertible bonds (note 32)	(577,941)	577,941
Loss and total comprehensive expense for the year	–	(2,412)
As at 31 December 2021 and 1 January 2022	–	12,997
Loss and total comprehensive expense for the year	–	**(19,325)**
As at 31 December 2022	–	**(6,328)**